STOPANSKA BANKA AD – Skopje

Financial Statements
Year Ended December 31, 2018 and
Independent Auditors' Report

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RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of STOPANSKA BANKA AD – Skopje (the "Bank") is responsible for ensuring that the financial statements are prepared for each financial year in accordance with International Financial Reporting Standards ("IFRS"), which give a true and fair view of the financial position and the results of the Bank for the year.

After making enquiries, the Management of the Bank has a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Management of the Bank continues to adopt the going concern basis in preparing the financial statements.

In preparing these financial statements, the responsibilities of the Management of the Bank, include ensuring that:

- Suitable accounting policies are selected and then applied consistently;
- Judgments and estimates are reasonable and prudent;
- Applicable accounting standards are followed, subject to any material departures disclosed and explained in the financial statements; and
- The financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Bank will continue in business.

Management of the Bank is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bank and must ensure that the financial statements comply with IFRS. Management of the Bank is also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of STOPANSKA BANKA AD – Skopje:

Mr. Diomidis Nikoletopoulos

Chief Executive Officer,
Chairman of the Board of Directors

Mrs. Milica Chaparovska - Jovanovska

Chief Retail Officer,
Member of the Board of Directors

Mr. Toni Stojanovski

Chief Risk Officer,
Member of the Board of Directors

Independent auditor's report

To the Supervisory Board and Shareholders of Stopanska Banka AD Skopje

We have audited the accompanying financial statements of Stopanska Banka AD Skopje (the "Bank"), which comprise the statement of financial position as of 31 December 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Standards on auditing applicable in Republic of North Macedonia (the "Standards"). Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2018, and of its financial performance and its cash flows for the year than ended in accordance with International Financial Reporting Standards.

Dragan Davitkov
General Manager

Sime Jovanovski
Certified Auditor

PRICEWATERHOUSECOOPERS REVIZIJA DOO Skopje

19 December 2019
Skopje, North Macedonia

STATEMENT OF COMPREHENSIVE INCOME
Year Ended December 31, 2018
(In thousands of Denars)

	Notes	2018	2017
Interest income		4,262,415	4,316,953
Interest expense		(682,760)	(753,373)
Net interest income	6	3,579,655	3,563,580
Fee and commission income		1,109,890	1,076,297
Fee and commission expense		(335,195)	(280,661)
Net fee and commission income	7	774,695	795,636
Trading income, net	8	1,940	1,426
Foreign exchange gains, net	9	105,173	107,673
Other operating income	10	106,504	126,123
(Impairment)/reversal, net	11	10,907	(56,350)
Personnel expenses	12	(869,787)	(803,335)
Depreciation and amortization	13	(138,613)	(137,887)
Other operating expenses	14	(776,576)	(846,839)
Profit before tax		2,793,898	2,750,027
Income tax expense	15	(295,127)	(273,349)
Profit for the year		2,498,771	2,476,678
Other comprehensive income			
Profit on available-for-sale financial assets, net	31	-	512
Gains less losses on investments in Debt securities at fair value through other comprehensive income, net of tax		8,475	-
Total of items that may be reclassified subsequently to profit or loss		8,475	512
Gains less losses on investments in equity securities at fair value through other comprehensive income, net of tax		2,624	-
Service & interest (cost)/income related to defined benefits obligation	31	(3,325)	2,378
Total of items that will not be reclassified subsequently to profit or loss		(701)	2,378
Other comprehensive income for the year, net of tax		7,774	2,890
Total comprehensive income for the year		2,506,545	2,479,568
Profit attributable to:			
Owners of the Bank		2,498,771	2,476,678
Total comprehensive income attributable to:			
Owners of the Bank		2,506,545	2,479,568
Earnings per share	31		
Basic (in Denars)		143.1	141.8
Diluted (in Denars)		143.1	141.8

The accompanying notes are an integral part of these financial statements.

The financial statements have been approved by the management of the Bank on December 18, 2019 and accepted by the Bank's Supervisory Board.

Signed on behalf of STOPANSKA BANKA AD – Skopje:

Mr. Diomidis Nikoletopoulos
Chief Executive Officer,
Chairman of the Board of Directors

Mrs. Milica Chaparovska - Jovanovska
Chief Retail Officer,
Member of the Board of Directors

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Mr. Toni Stojanovski
Chief Risk Officer,
Member of the Board of Directors

STATEMENT OF FINANCIAL POSITION
At December 31, 2018
(In thousands of Denars)

	Notes	31 December 2018	31 December 2017
ASSETS			
Cash and balances with the central bank	16	19,296,827	17,901,761
Financial assets at fair value through profit and loss	17	5,616	3,676
Available-for-sale financial assets	18	-	6,230,521
Securities measured at FVTOCI	18	80,059	-
Securities measured at amortized cost	19	5,789,884	-
Placement with, and loans to banks	20	197,089	159,539
Loans to customers	21	65,145,885	62,340,975
Other assets	22	732,406	636,684
Income tax receivable		-	6,898
Investment property	23	28,389	62,273
Intangible assets	24	145,164	141,521
Property and equipment	25	828,923	844,436
Total assets		92,250,242	88,328,284
LIABILITIES AND EQUITY			
LIABILITIES			
Deposits from banks	26	159,504	82,470
Deposits from customers	27	76,002,374	70,880,438
Loans payable	28	296,455	409,410
Other liabilities	29	930,122	1,213,031
Income tax payable		95,126	-
Deferred tax liabilities	15.1	176,757	203,365
Provisions	30	69,450	75,506
Total liabilities		77,729,788	72,864,220
EQUITY			
Share capital	31	3,511,242	3,511,242
Reserves	31	841,301	838,007
Retained earnings		10,167,911	11,114,815
Total equity		14,520,454	15,464,064
Total liabilities and equity		92,250,242	88,328,284
Commitments and contingencies	34	14,249,961	14,378,148

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2018
(In thousands of Denars)

	Share capital	Revalua-tion reserve	Statutory reserve	Special fund	Retained earnings	Total
Balance, January 1, 2017	3,511,242	3,744	830,290	1,083	10,855,580	15,201,939
Other comprehensive income for the year, net of tax	-	2,890	-	-	-	2,890
Profit for the year	-	-	-	-	2,476,678	2,476,678
Total comprehensive income for the year	-	2,890	-	-	2,476,678	2,479,568
Dividend distribution	-	-	-	-	(2,217,443)	(2,217,443)
Balance, December 31, 2017	3,511,242	6,634	830,290	1,083	11,114,815	15,464,064
Balance, January 1, 2018	3,511,242	6,634	830,290	1,083	11,114,815	15,464,064
Impact of IFRS 9	-	(4,480)	-	-	(128,240)	(132,720)
Balance at 1 January 2018 adjusted for IFRS 9 impact	3,511,242	2,154	830,290	1,083	10,986,575	15,331,344
Other comprehensive income for the year, net of tax	-	7,774	-	-	-	7,774
Profit for the year	-	-	-	-	2,498,771	2,498,771
Total comprehensive income for the year	-	7,774	-	-	2,498,771	2,506,545
Dividend distribution	-	-	-	-	(3,317,435)	(3,317,435)
Balance, December 31, 2018	3,511,242	9,928	830,290	1,083	10,167,911	14,520,454

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS
Year Ended December 31, 2018
(In thousands of Denars)

	2018	2017
Profit before tax	2,793,898	2,750,027
Adjustments for:		
Depreciation of property and equipment	87,982	90,233
Depreciation of investment property	1,972	2,436
Amortization of intangible assets	48,659	45,218
Gain on sale of property and equipment, net	(4,052)	(23,951)
Gain on sale of foreclosure assets, net	(30,438)	(13,868)
Interest income	(4,262,415)	(4,316,953)
Interest expense	682,760	753,373
Net trading income	(1,940)	(1,426)
Impairment losses on financial assets, net	(37,115)	21,411
Impairment losses on non-financial assets	26,208	34,939
Provision for employee benefits, net	2,763	3,429
Provision for litigation, net	(2,588)	9,144
Interest receipts	4,129,344	4,322,385
Interest paid	(684,741)	(785,778)
Operating profit before changes in operating assets and liabilities:	2,750,297	2,890,619
(Increase)/decrease of operating assets:		
Due from banks	(37,550)	18,776
Loans to customers	(3,122,643)	(2,321,741)
Mandatory reserves and restricted deposits according NBRNM regulations	(192,318)	127,143
Other receivables	(6,432)	(166,332)
Increase/(decrease) of operating liabilities:		
Deposits from banks	77,034	(1,660,282)
Deposits from customers	5,123,917	2,575,202
Other liabilities	(247,675)	(454,440)
Net cash flows generated from operating activities before income tax	4,344,630	1,008,945
Income tax paid	(219,711)	(246,509)
Net cash flows generated from operating activities	4,124,919	762,436

STATEMENT OF CASH FLOWS (Continued)
Year Ended December 31, 2018
(In thousands of Denars)

	2018	2017
Cash flows from investing activities		
Acquisition of property and equipment	(71,024)	(70,655)
Acquisition of intangible assets	(53,009)	(33,795)
Acquisition of investment property	(116)	-
Investments in securities	(5,734,197)	(5,998,787)
Inflows from sale of investments in securities	6,094,970	8,107,654
Proceeds from sale of property and equipment	8,122	4,767
Proceeds from sale of investment property	13,827	2,483
Dividend received	5,399	5,723
Net cash flows generated from investing activities	263,972	2,017,390
Cash flows from financing activities		
Repayment of loan payables	(112,955)	(148,317)
Dividends paid	(3,309,730)	(2,226,939)
Net cash flows used in financing activities	(3,422,685)	(2,375,256)
Net increase/(decrease) of cash and cash equivalents	966,206	404,570
Cash and cash equivalents, beginning of the year	15,033,827	14,629,257
Cash and cash equivalents at the end of the year	16,000,033	15,033,827

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

STOPANSKA BANKA AD – Skopje was established as a shareholding bank on December 29, 1989. The address of its registered office and principal place of business is St. 11 Oktomvri 7, 1000 Skopje. The Bank operates in the RNM with a network of 65 branches (2017: 66 branches).

The Bank is registered as a universal type of commercial bank in accordance with the Republic of North Macedonia Laws.

The Bank may perform the following activities:

- accept deposits and other repayable sources of funds,
- lend in the country, including factoring and financing commercial transactions,
- lend abroad, including factoring and financing commercial transactions,
- issuance and administration of means of payment (payment cards, checks, traveler's checks, bills of exchange),
- financial leasing,
- currency exchange operations,
- domestic and international payment operations, including purchase and sale of foreign currency,
- fast money transfer,
- issuance of payment guarantees, backing guarantees and other forms of collateral,
- lease of safe deposit boxes, depositories and depots,
- trade in instruments on the money market (bill of exchange, checks, deposit certificates),
- trade in foreign assets, including trade in precious metals,
- trade in securities,
- asset and securities portfolio management for clients and/or investment advising for clients,
- provides custodian services for investment and pension funds,
- purchase and sale, underwriting or placement of securities issue,
- custody of clients' securities,
- giving advices to legal entities in relation to the structure of capital, business strategy or other related issues, or providing services related to merging or acquisition of legal entities,
- sale of insurance policies,
- intermediation in concluding credit and loan agreements,
- process and analyze information on the legal entities' creditworthiness,
- economic and financial consulting, and
- other financial services specified by law allowed to be performed exclusively by a bank.

The Bank is controlled by National Bank of Greece, incorporated in Greece, which has 94.64% (2017: 94.64%) shareholding in the Bank and represents its ultimate parent company.

The shares of the Bank are not listed on the Regular Market on the Macedonian Stock Exchange (MSE), but are listed on MSE on the Market of publicly held companies with the special disclosure requirements and the ID quotation code is the following:

Symbol	ISIN code
STB (common shares)	MKSTBS101014
STBP (preference shares)	MKSTBS120014

The Bank's financial statements for the year ended December 31, 2018 have been approved by the management of the Bank on December 18, 2019 and accepted by the Bank's Supervisory Board.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement on compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the International Accounting Standards Board (the "IASB").
The IFRS accounting policies set below have been consistently applied by the Bank to all periods presented in these financial statements.

(b) Basis of measurement

These financial statements have been prepared under the historical cost convention, except for fair value through other comprehensive income financial assets, financial assets and financial liabilities (included derivative financial instruments) held at fair value through profit or loss which have been measured at fair value. These financial statements have been also prepared under the going concern assumption.

(c) Functional and reporting currency

The financial statements are presented in Denars which is the Bank's functional currency. All financial information is presented in Denars rounded to the nearest thousand.

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Information about significant areas of estimation uncertainty and critical estimates in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in Note 3.22 to the financial statements.

A summary of the principal accounting policies applied in preparing the IFRS financial statements are set out within Note 3 to the financial statements.

(e) *Standards and Interpretations effective in the current period*

The following new amendments to the existing standards issued by the International Accounting Standards Board are effective for current financial period:

- **IFRS 9 Financial Instruments** On 1 January 2018, the Bank adopted IFRS 9 *Financial Instruments*, which replaces IAS 39 *Financial Instruments: Recognition and Measurement* and changes the requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting. The Bank elected not to restate comparative figures and recognised any adjustments to the carrying amounts of financial assets and liabilities in the opening retained earnings as of the date of initial application of the standard, 1 January 2018.

  The adoption of IFRS 9 on 1 January 2018, decreased the Banks's shareholders' equity by Denar 132,720 thousand, of which Denar 128,240 thousand, due to changes in impairment requirements and Denar 4,480 thousand due to classification and measurement. Detailed disclosure for the IFRS 9 impact is presented in Note 37.

- ***Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018).*** The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(e) *Standards and Interpretations effective in the current period (Continued)*

- ***Annual Improvements to IFRSs 2014-2016 cycle - Amendments to IFRS 1 and IAS 28 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).*** The amendment did not have an impact on the Bank's financial statements.
- **IFRS 2 (Amendment) Classification and Measurement of Share-based Payment Transactions** The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment did not have an impact on the Bank's consolidated financial statements.
- **IFRIC 22 Foreign Currency Transactions and Advance Consideration** The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation did not have a material impact on the Bank's consolidated or separate financial statements.
- **Transfers of Investment Property - Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).** The amendments clarify the requirements on transfers to, or from, investment property in respect of properties under construction.

(f) *New Standards and amendments effective after 2018*

At the date of authorization of these financial statements the following new standards and amendments to existing standards were in issue:

- **IFRS 16 "Leases" (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases.** All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model.

  The adoption of IFRS 16 on 1 January 2019, is expected not to have a significant impact on the Banks's shareholders' equity.

  The IFRS 16 impact estimates are based on the accounting policies, assumptions and judgements of the Bank, as determined to date, which will be finalized during the preparation of the financial statements for the year ending 31 December 2019. Consequently, the aforementioned estimates remain subject to change in 2019. The final impact upon transition to IFRS 16 will be included in the financial statements for the year ending 31 December 2019.

- ***IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021).*** IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

2 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (Continued)

(f) New Standards and amendments effective after 2018 (Continued)

- **IFRIC 22 - Foreign Currency Transactions and Advance Consideration (effective for annual periods beginning on or after 1 January 2021, as issued by the IASB).** The interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) on the derecognition of a non-monetary asset or non-monetary liability arising from an advance consideration in a foreign currency.
- **IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).**IAS 12 specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. The interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.
- **Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019).** The amendments enable measurement at amortised cost of certain loans and debt securities that can be prepaid at an amount below amortised cost, for example at fair value or at an amount that includes a reasonable compensation payable to the borrower equal to present value of an effect of increase in market interest rate over the remaining life of the instrument.
- **Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginnig on or after 1 January 2019).**The amendments clarify that reporting entities should apply IFRS 9 to long-term loans, preference shares and similar instruments that form part of a net investment in an equity method investee before they can reduce such carrying value by a share of loss of the investee that exceeds the amount of investor's interest in ordinary shares.
- **Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019).**The narrow scope amendments impact four standards
- **IAS 19 (Amendment) Plan Amendment, Curtailment or Settlement** (effective for annual periods beginning on or after 1 January 2019, as issued by the IASB). The amendments specify how companies determine pension expenses when changes to a defined benefit pension plan occur. The amendment has been endorsed by the EU
- **Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The Bank has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates. The Bank is currently assessing the impact of the adoption of these standards and amendments to existing standards in the period of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Interest income and expense

Interest income and expense are recognized in the statement of comprehensive income for all instruments measured at amortized cost using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3.2 Fee and commission income

Fees and commissions, except the fees on approval of loans, are generally recognized on an accrual basis when the customer simultaneously receives and consumes the benefits provided by the Bank's performance. Other fees relating to the acquisition and origination of loans are deferred over the life of the loan and amortized using the effective interest rate method.

3.3 Dividend income

Dividend income is recognized when the right to receive payment is established for all shareholders who participate in income distribution.

3.4 Foreign exchange translation

Transactions denominated in foreign currencies have been translated into Denars at rates set by the National Bank of the RNM ("NBRNM") at the dates of the transactions. Assets and liabilities denominated in foreign currencies are translated into Denars at the balance sheet date using official rates of exchange ruling on that date. Foreign exchange gains or losses arising upon the translation of transactions, and the assets and liabilities denominated in foreign currencies are credited or charged to the statement of comprehensive income. Commitments and contingent liabilities denominated in foreign currencies are translated into Denars by applying the official exchange rates at the balance sheet date.

3.5 Financial assets

(a) Classification and Measurement of financial instruments under IFRS 9

On 1 January 2018, the Bank adopted IFRS 9 Financial Instruments, which replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

The accounting policies applied by the Bank in order to comply with the requirements of IFRS 9 are presented below.

Classification of financial assets

The Bank uses the following measurement categories for financial assets:

- Debt instruments at amortised cost.
- Debt instruments at fair value through other comprehensive income (FVTOCI) with cumulative gains and losses reclassified to profit and loss on derecognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(a) Classification and Measurement of financial instruments under IFRS 9 (Continued)

Classification of financial assets (Continued)

- Equity instruments designated as measured at FVTOCI with gains and losses remaining in other comprehensive income (OCI) without recycling to profit or loss on derecognition.
- Debt instruments, derivatives, equity instruments at fair value through the profit and loss (FVTPL).

Except for debt instruments that are designated at initial recognition as at FVTPL, such assets are classified at amortised cost or FVTOCI on the basis of:

- the Bank's business model for managing the financial asset and
- the contractual cash flow characteristics of the financial asset.

Business model assessment

The business models reflect how the Bank manages its debt financial assets in order to generate cash flows. This assessment is performed on the basis of scenarios that the Bank reasonably expects to occur. The assessment is based on all relevant and objective information that is available at the time of the business model assessment. The Bank has identified the following business models for debt financial assets:

- Held to collect contractual cash flows ("HTC"): The Bank's objective is to hold the financial assets and collect the contractual cash flows. All the assets in this business model give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Debt instruments classified in this business model are measured at amortised cost.
- Held to collect contractual cash flows and sell ("HTCS"): The objective of this business model is to meet everyday liquidity needs and such objective is achieved by both collecting contractual cash flows and selling debt instruments. Assets within this business model are not sold with the intention of short-term profit taking, however frequent sales may occur and such sales may be significant in value. All the assets in this business model give rise to cash flows that are SPPI. The debt instruments in this business model are accounted for at FVTOCI.
- Held for trading ("HFT"): Under this business model, the Bank actively manages the instruments in order to realise fair value gains arising from changes in credit spreads and yield curves. The assets in this business model are accounted for at FVTPL.

Contractual cash flow characteristics

The Bank assesses the characteristics of its financial assets' contractual cash flows at initial recognition in order to determine whether they are SPPI. This is referred to as the "SPPI test". Interest amount within a basic lending arrangement, is typically the consideration for the time value of money and the credit risk. Interest may also include consideration for other basic lending risks such as liquidity and costs (e.g. administration associated with holding the financial asset for a particular period of time), as well as a profit margin

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(a) Classification and Measurement of financial instruments under IFRS 9 (Continued)

Measurement of financial assets

- **Financial assets measured at amortised cost**

A debt financial asset is measured at amortised cost if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and the contractual terms of the financial asset result in cash flows that pass the SPPI test.

The financial assets classified within this category, mainly include the following asset classes:

- Cash and balances with central banks
- Sight and time deposits with banks
- Securities purchased under agreements to resell
- Deposits in margin accounts
- Other receivables due from banks
- Loans and advances to customers
- Debt securities
- Other receivables included in line item "other assets"

Subsequent to initial recognition, the debt financial asset is measured at amortised cost using the effective interest rate ("EIR") method for the allocation and recognition of interest revenue in line item "interest income" of the income statement over the relevant period. The amortised cost is the amount at which the financial asset is measured at initial recognition minus any principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance.

- **Debt instruments measured at FVTOCI**

A debt financial asset is measured at FVTOCI if it is held in a business model that has an objective to hold financial assets to collect contractual cash flows and sell the assets and the contractual terms of the financial asset result in cash flows that pass the SPPI test.
After initial recognition, investments in debt financial assets are measured at fair value in the statement of financial position (with no deduction for sale or disposal costs) with unrealised gains and losses reported in OCI, net of applicable income taxes, until such investments are derecognised (i.e. when sold or collected). Upon derecognition, the cumulative gains or losses previously recognised in OCI are reclassified from equity to "Other operating income" of the income statement, as a reclassification adjustment.

- **Equity instruments designated at FVTOCI**

After initial recognition, investments in equity instruments designated at FVTOCI are measured at fair value, with no deduction for sale or disposal costs. With the exception of dividends received, the associated gains and losses (including any related foreign exchange component) is recognised in OCI. Amounts presented in OCI are not subsequently recycled to the income statement, instead the cumulative gain or loss is transferred within equity from accumulated OCI to retained earnings.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(a) Classification and Measurement of financial instruments under IFRS 9 (Continued)

Measurement of financial assets (Continued)

- **Financial assets and financial liabilities measured at FVTPL**

After initial recognition, financial assets and financial liabilities that are classified as at FVTPL are measured at fair value, with no deduction for sale or disposal costs. Gains and losses arising from fair value remeasurement are recognised in their entirety in "Trading income, net".

(b) Classification and Measurement of financial instruments under IAS 39

Financial assets are classified into the following specified categories: financial assets at fair value through profit and loss, available-for-sale financial assets, held-to-maturity financial assets and loans to banks and customers. The classification depends on the nature and the purposes of the financial assets and is determined at the time of initial recognition. Financial assets are recognized and derecognized on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the agreed timeframe.

Financial assets at fair value through profit and loss

Financial assets at fair value through profit and loss, which comprise of securities and shares issued by banks and other institutions included in a portfolio in which a pattern of short-term profit making exists. Initially, these securities are recognized at transaction price, which represents the fair value and subsequently measured at fair value as determined based on their market price.

All the respective realized and unrealized gains and losses are included under net trading income. Interest, if realized, during managing securities, is recorded as interest income. The sale of securities at fair value through profit and loss is recognized on trading date, which is the date when the Bank is obliged to buy/sell the asset.

Available-for-sale financial assets

Available-for-sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. This portfolio comprises quoted and unquoted equity investments in shares of banks and other financial institutions and enterprises, where the Bank does not exercise control.

Available-for-sale financial assets are initially recognized at transaction price, which represents the fair value, and subsequently re-measured at fair value based on quoted prices in active markets or amounts derived from cash flow models for unquoted equity investments.

Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized in other comprehensive income and accumulated in the revaluation reserves, until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously accumulated in the revaluation reserves should be recognized in profit or loss. However, interest calculated using the effective interest method and foreign exchange gains and losses are recognized in the statement of comprehensive income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(b) Classification and Measurement of financial instruments under IAS 39 (Continued)

Held-to-maturity financial assets

Held-to-maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity. If the Bank is to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available-for-sale. These securities are measured at amortized cost using the effective interest rate method.

Loans originated by the Bank

Loans originated by the Bank include loans where cash is provided directly to the borrower. Loans are initially recognized at fair value, including any transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Interest on loans originated by the Bank is included in interest income and is recognized on an accrual basis. Loans to customers and financial institutions are stated at their net amount reduced by provisions for impairment and deferred loan's origination fees.

(c) Impairment - Expected Credit Losses under IFRS 9

Expected Credit Loss ("ECL") are recognised for all financial assets measured at amortised cost, debt financial assets measured at FVTOCI, financial guarantees and certain loan commitments. ECL represent the difference between contractual cash flows and those that the Bank expects to receive, discounted at the EIR. For loan commitments and other credit facilities in scope of ECL, the expected cash shortfalls are determined by considering expected future draw downs.

Recognition of expected credit losses

At initial recognition, an impairment allowance is required for ECL resulting from default events that are possible within the next 12 months (12-month ECL), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 1. For instruments with a remaining maturity of less than 12 months, ECL are determined for this shorter period.
In the event of a significant increase in credit risk ("SICR"), an ECL allowance is required, reflecting lifetime cash shortfalls that would result from all possible default events over the expected life of the financial instrument ("lifetime ECL"), weighted by the risk of a default occurring. Instruments in this category are referred to as instruments in Stage 2.

Lifetime ECL are always recognised on financial assets for which there is objective evidence of impairment, that is they are considered to be in default or otherwise credit-impaired. Such instruments are referred to as instruments in Stage 3.

POCIs are classified as credit impaired. An instrument is POCI if it has been purchased with a material discount to its par value that reflects the incurred credit losses or is originated with a defaulted counterparty.

For POCI financial assets, the Group Bank recognises adverse changes in lifetime ECL since initial recognition as a loss allowance with any changes recognised in the income statement. POCI are initially recognised at fair value with interest income subsequently being recognised based on a credit-adjusted EIR. POCI may also include financial instruments that are newly recognised following a substantial modification and remain a separate category until maturity. Any favourable changes for POCI assets are impairment gain even if the resulting expected cash flows exceed the estimated cash flows on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(c) Impairment - Expected Credit Losses under IFRS 9 (Continued)

Recognition of expected credit losses (Continued)

ECL are recognised in the income statement with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at amortised cost on the statement of financial position. For financial assets measured at FVTOCI, the carrying value is not reduced, but the ECL allowance is recognised in OCI. For off-balance sheet financial instruments, the ECL allowance is reported as a provision in "other liabilities". ECL are recognised within the income statement in "(Impairment)/reversal, net".

Write-off

A write-off is made when the Bank does not have a reasonable expectation to recover all or part of a financial asset. Write-offs reduce the principal amount of a claim and are charged against previously established allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are generally credited to "credit provisions and other impairment charges". Write-offs and partial write-offs represent derecognition or partial derecognition events.

(d) Impairment of financial assets under IAS 39

The Bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income. The amount of the impairment loss for financial assets carried at amortized cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5 Financial assets (Continued)

(d) Impairment of financial assets under IAS 39 (Continued)

Impairment losses on loans and advances

Allowances for losses on impairment and un-collectability are determined if there is objective evidence that the Bank cannot collect all amounts due on a claim according to the original contractual terms. A "claim" means a loan, a commitment such as a letter of credit, guarantee or commitment to extend the credit. A provision for loan impairment is reported as a reduction of the carrying amount of the loan, whereas for off-balance sheet items are presented within the provisions. Additions to provision are recognized through impairment losses on financial assets in the statement of comprehensive income. The allowances for losses on impairment and un-collectability are determined on the basis of the degree (size) of the risk of un-collectability or specific country risk on the basis of the following principles:

- Individual loan exposures (risks) are assessed on the basis of the type of loan applicant, his/her/its overall financial position, resources and payment records and recoverable value of collaterals. Allowances for losses on impairment and un-collectability are measured and determined for the difference between the carrying value of the loan and its estimated recoverable amount, which is, in fact, the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted by effective loan interest rate.
- If there is objective proof of un-collectability of loans in the loan portfolio that may not be identified on a specific basis, the allowances for losses on impairment and un-collectability are determined at level of risk for specific loan portfolio, i.e. collective assessment. These losses are determined on the basis of historical data on loan classification of borrowers and express the current economic environment of the borrowers.
- Losses on impairment and un-collectability is termination of the calculation of interest income as per agreed terms and conditions, while the loan is classified as non-performing since the contractual liabilities for payment of the principal and/or interest are in default, i.e. uncollected for a period longer than 90 days as well as other default/impairment indicators. All allowances for losses on impairment and un-collectability are reviewed monthly, and any further changes in the amount and timing of expected future cash flows in comparison to previous assessments result in changes in allowances for losses on impairment and un-collectability recorded in the statement of comprehensive income.
- The loan which is believed that is impossible to be collected is written off against the relevant allowance for losses on impairment and un-collectability. Further collections are recorded as income in the statement of comprehensive income.

Renegotiated loans

Once the terms of the loan have been renegotiated, the loan is no longer considered past due provided that all conditions required under the new arrangement are satisfied. The Bank continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur.

Derecognition of financial assets

The Bank derecognizes financial assets when the right to receive cash from the financial asset has expired or has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of ownership of the assets to another entity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6 Financial liabilities

Financial liabilities are classified in accordance with the substance of the contractual arrangement. Financial liabilities are classified as deposits from banks, financial institutions and customers, financial liabilities through profit and loss, loans payable and other payables.

Deposits from banks and other financial institutions and customers

These financial liabilities are initially recognized at fair value net of transaction costs incurred. Subsequently are measured at amortized cost.

Financial liabilities through profit and loss

These financial liabilities include derivative financial instruments of foreign exchange contracts and initially and subsequently are measured/re-measured at fair value. These contracts do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held-for-trading, i.e. fair value gains and losses are recognized in net-trading income.

Loans payable

Loans payable are initially recognized at fair value net of transaction costs incurred. Subsequent measurement is at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the loan using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability.

Other payables

Other payables are stated at their nominal amounts.

Derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired.

3.7 Property and equipment

Property and equipment are recorded at cost, less accumulated depreciation and accumulated impairment losses.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditures are recognized in the statement of comprehensive income as an expense as incurred.

Depreciation is charged at estimated rates so as to write off the cost of assets over their estimated useful lives, using the straight-line method. No depreciation is provided on construction in progress until the constructed assets are put into use. The annual depreciation rates for 2018 and 2017 are as follows:

Buildings	2.5% -5%
Furniture and equipment	10% - 25%

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the profit and loss. The Bank annually reviewed its property and equipment for impairment. Where the carrying amount on an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8 Intangible assets

Intangible assets are assets acquired separately and are reported at cost less accumulated amortization and accumulated impairment losses, Intangible assets include:

- Computer software and software that was acquired apart from hardware;
- Leasehold improvements; and
- Other intangibles.

Expenditure on software is amortized on a straight-line basis over the estimated useful life, which is five years. The leasehold improvements and other intangible assets are amortized on a straight-line basis over the relevant contract period. The Bank annually reviewed its intangible assets and assess whether there is any indication for impairment. If such indications exist, an estimate is performed to assess whether the carrying amount is recoverable. If the carrying amount exceeds the recoverable amount, a write down is made.

3.9 Impairment of tangible and intangible assets

The Bank's management reviews regularly the carrying amounts of the Bank's tangible and intangible assets. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period. A reversal of an impairment loss is recognized as income immediately.

3.10 Investment property

Investment property includes buildings owned by the Bank with the intention of earning rentals or for capital appreciation or both, and is initially recorded at cost, which includes transaction costs. The classification of the investment property is based on the criteria that the property is mostly held to earn rentals when compared to the property used by the Bank for its own needs.

Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation of investment property is calculated on straight-line basis in a way to write off the cost value of assets over their estimated useful lives, which approximates the useful life of similar assets included in property and equipment.

Investment property is annually reviewed for impairment. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period.

3.11 Assets acquired through foreclosure proceedings

Foreclosed assets include property and equipment acquired through foreclosure proceedings in full or partial satisfaction of a related loan and are reported in other assets as non-current assets held for sale. Initially, these asset are measured at the lower of the cost of the loan, including transaction costs (usually the cost value of the loan stated in an enactment passed by a competent body from where the legal grounds for acquiring of ownership arises) and the fair value less estimated cost to sell, as determined by local certified appraisers on the date of asset foreclosure. After initial recognition, foreclosed assets are reviewed for impairment at least annually and are measured at the lower of their carrying amount less estimated costs to sell and accumulated impairments.

3.12 Cash and balances with the central bank

Cash and balances with the central bank include cash on hand and nostro accounts, unrestricted demand deposits and placements with other banks and financial institutions, unrestricted account balances with the NBRNM and other financial assets such as treasury and other eligible bills, as highly liquid assets with maturity up to three months and insignificant changes to fair value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.13 Managed funds

The Bank provides fiduciary and trust services to legal entities and citizens, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The Bank receives fee income for providing these services. Managed funds are not assets of the Bank and are not recognized in the financial statements. The Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

3.14 Provisions

Provisions are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Employment benefits

Health, pension and social insurance contributions from gross wages and salaries are being paid by the Bank during the year to the national organizations at the statutory rates. Such contributions represent defined contribution benefit plans and are recognized as an expense when employees have rendered services entitling them to the contributions. There is no additional liability to these plans.

In accordance with the statutory requirements, the collective agreement, and the internal rules and regulation, the Bank is obliged to pay to its employees a termination lump sum upon retirement equal to two monthly average salaries. These benefits are considered defined pension benefit plans. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date less the fair value of plan assets (there are currently no plan assets recognized), together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

3.15 Income tax

The current income tax payable is calculated based on the local tax regulation by using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which those deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is to be settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

3.16 Leases

Assets leased out under operating lease are included in the statement of financial position as investment property. Rental income from investment property is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.17 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of the Bank. The Bank has determined the Management Board as its chief operating decision-maker.

All transactions between business segments are conducted on an arm's length basis, with inter-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

Geographical areas include income from assets that are either located or are managed in the respective geographical area.

3.18 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when, and only when there is there is a legally enforceable right to offset the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

3.19 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract, other than those assessed as insurance contracts, is recognized initially at their fair value and subsequently measured at the higher of: a) the unamortized balance of the related fees received and deferred, and b) the best estimate of the amount required to settle the guarantee at the reporting date.

3.20 Related party transactions

Related parties are related to the Bank if directly, or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Bank (this includes parent and fellow subsidiaries in the NBG Group) and has an interest in the Bank that gives it significant influence over the Bank, or the party is a member of the key management personnel of the Bank or its parent or is a close member of the family of any individual which is described above. A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. All banking transactions entered into which related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

3.21 Earnings per share

Basic earnings per share (EPS) ratio is calculated by dividing the net profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period excluding the average number of ordinary shares purchased by the Bank and held as treasury shares.

Diluted earnings per share ration is computed using the same method as for basic EPS, but the determinants are adjusted to reflect the potential dilution that could occur if convertible debt securities, options, warrants or other contracts to issue ordinary shares were converted or exercised into ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates

The most significant areas, for which judgments, estimates and assumptions are required, are:

Fair value of financial instruments

The fair value of the financial instruments that are not quoted in active markets are determined using internal valuation techniques. These include present value methods, models based on observable input parameters. All valuation models are validated before they are used as a basis for financial reporting, and periodically reviewed by qualified personnel independent of the area that created the model. Wherever possible, the Bank compares valuations derived from models with quoted prices of similar instruments, and with actual values when realized, in order to further validate and standardized models. A variety of factors are incorporated into the models, including actual or estimated market prices and rates, such as time value and volatility, market conditions and liquidity.

The Bank applies its models consistently from one period to the next, ensuring comparability and continuity of valuations over time, but estimating fair value inherently involves a significant degree of judgment. In the RNM sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

The Management assesses its overall risk exposure and in instances in which it estimates that the value in the books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts for the assets that are not quoted in an active market represent the most valid and useful reporting values under the present market conditions.

Expected Credit Loss ("ECL")

The calculation of ECL requires management to apply significant judgment and make estimates and assumptions that involve significant uncertainty at the time they are determined. Changes to these estimates and assumptions can result in significant changes to the amount and timing of ECL to be recognised. The most significant sources of measurement uncertainty relate to the following ECL factors:

Determination of a significant increase of credit risk (SICR)

The Bank assesses whether a SICR has occurred since initial recognition based on qualitative and quantitative criteria. A non-credit impaired asset is classified in stage 2 if it has suffered a SICR, otherwise it is classified in stage 1. An assessment of whether credit risk has increased significantly since initial recognition is performed at each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions.

The Bank assesses SICR based on three main components:

- a quantitative element, i.e. reflecting a quantitative comparison of PD or credit rating at the reporting date versus the respective metric at initial recognition.
- a qualitative element, that is all Forborne Performing Exposures (FPE) and internal watch list for corporate obligors; and
- "Backstop" indicators. The Bank applies on all lending exposures the IFRS 9 presumption that a SICR has occurred when the financial asset is more than 30 days past due.

Model risk inherent in the IFRS 9 models

Compliance with the IFRS 9 impairment model requires the use of a variety of models. The complexity of the models as well as dependency to other model-based inputs is high therefore any changes in inputs and data, as well as new or revised models, may significantly affect ECL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.22 Critical accounting judgments and estimates (Continued)

Forward looking information

FLI is incorporated in the ECL measurement of collectively assessed loans and debt securities through the PD and LGD models. The expected recoveries (cash flow recoveries or liquidation of collateral) used in the ECL calculation of corporate lending exposures individually assessed, takes into account FLI based on the Bank's forecasts of the relevant macroeconomic factors. Each of the scenarios is based on Management's assumptions around future economic conditions in the form of macroeconomic, market and other factors. Changes in the scenarios and weights, the relevant macroeconomic variables and the assumptions made under those variables for the forecast horizon would have a significant effect on the ECL.

Risk related to the European debt and Greek crisis

STOPANSKA BANKA AD – Skopje continued to be well-capitalized, highly liquid, and funded by domestic deposits. The Bank has no exposure to any foreign European government debt nor significant placements or significant financial commitments with its Parent company. The recent stress test, according Central Bank regulation, performed under strict criteria demonstrated that the Bank is adequately capitalized and sufficiently liquid, and the management believes that any eventual withdrawal of the deposits by the Parent or by other related parties would not affect significantly the liquidity of STOPANSKA BANKA AD – Skopje. The strong capital base with a capital adequacy ratio of 16.28%, as disclosed in Note 4.6, enables the Bank to face any reasonably foreseeable adversity. Management believes that the Bank is well positioned to adequately support its business plan over the coming year.

4. FINANCIAL INSTRUMENTS

4.1 Financial risk management

Taking risk is core to the business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on the Bank's financial performance.

The Bank's risk management policies are designed to identify and analyze these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Bank regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Bank's risk management organization structure ensures existence of clear lines of responsibility, efficient segregation of duties and prevention of conflicts of interest at all levels, including the Supervisory Board, Board of Directors, Senior Management, as well as between the Bank and the NBG Group, its customers and any other stakeholders. Within the Bank, risk management activities broadly take place at the following levels:

- Strategic level encompasses risk management functions performed by the Supervisory Board. These include the approval of risk and capital strategy, ascertaining the Bank's risk definitions, profile and appetite, as well as, the risk reward profile and other high-level risk related policies and internal guidelines.
- Tactical level encompasses risk management functions performed by the Board of Directors and the Senior Management. These include the establishment of risk policies and procedure manuals for managing specific risks and establishing adequate systems and controls to ensure that the overall risk and reward relationship remains within acceptable levels. Generally, the risk management activities performed by the Risk Management Division of the Bank, as well as, other critical support functions fall into this category
- Operational (business line) level – It involves management of risks at the point where they are actually created. The relevant activities are performed by individuals who undertake risk on the organization's behalf. Risk management at this level is implemented by means of appropriate controls incorporated into the relevant operational procedures and guidelines set by management.

The most important types of risk are credit risk, liquidity risk, market risk and operational risk.

Credit risk is the most important risk for the Bank's business defined as current or future risk on the financial result and capital arising from a counter party's failure to meet the terms of any contract with the Bank or otherwise fail to perform as agreed. The exposure to this risk arises principally from retail and corporate lending activities, as well as activities related to off-balance sheet financial instruments (loan commitments, L/G and L/C).

4.2 Credit risk

4.2.1 Credit risk measurement, limits and mitigation policies

Initially, when approving loans and loan commitments, the authorized Credit Approval Committees assess creditworthiness of the clients depending on the type and size of the exposure and based on defined criteria. The Bank credit risk management, which encompasses identification, measurement, monitoring and control of credit risk, is performed by the Risk Management Committee and Committee for classification of assets and provisioning for potential losses, commitments and contingencies and it is mainly based on reports and analyses prepared by relevant organization units of the Bank. The Risk Management Committee, Board of Directors and Supervisory Board are regularly informed of the credit risk that the Bank is exposed to.

The Bank has an internal system of classification of customers whose main aim is determining their creditworthiness and evaluation of the acceptable level of credit risk in starting lending. Classification of customers to which the Bank is exposed is reviewed at least annually. The Bank has implemented a system of early warning signals in order to timely identify any deterioration in the creditworthiness of the client and take appropriate action to mitigate credit risk.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.1 Credit risk measurement, limits and mitigation policies (Continued)

The Bank employs a range of practices to mitigate credit risk. Common practice is accepting suitable collateral for approved loans. The main collateral types for loans and other credit exposures are:

- Mortgages over residential properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities;
- Pledges over movables, such as cars, equipment and other,

The Bank monitors compliance with the legally and internally established limits and controls concentrations of credit risk. Credit risk limits towards different types of borrowers, industry sectors, geographic location and type of collateral, also limit of the exposure to Bank internal persons, and large exposures, exposure by sector of activity are set in the Risk Strategy and further detailed in the Bank's credit risk management policies and procedures. The Bank structures the levels of credit risk that undertakes towards domestic and foreign banks by placing limits on the amount of risk accepted subject to at least an annual review. In addition, the exposure concentration risk by sectors and activities is regularly monitored on the basis of set limits.

The loan portfolio of the Bank remains widely dispersed across different types of borrowers, asset categories and number of industries, thus preventing excessive concentration risks. For that purpose, the Bank has introduced a set of limits that control the exposure of the Bank towards different types of borrowers, industry sectors, geographic location and type of collateral.

4.2.2 Impairment and provisioning policies – IFRS 9

Since January 2018, the Bank applies IFRS9 standard in the impairment and provision calculation.

The impairment requirements of IFRS 9 are based on an ECL model and replace the IAS 39 incurred loss model. The new impairment model of IFRS 9 recognizes impairment losses before they are realized. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

IFRS 9 requires the classification of all financial assets into three stages. The amount of ECL recognized as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECL (stage 1), which apply to all items as long as there is no significant deterioration in credit risk; and
- Lifetime ECL ("LT ECL") for stages 2 and 3, which apply when a significant increase in credit risk, compared to the credit risk at initial recognition, has occurred on an individual or collective basis.

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month ECL	LT ECL	LT ECL

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.2 Impairment and provisioning policies – IFRS 9 (Continued)

In order to assess SICR and calculate ECL on a collective basis, the Bank allocates financial assets into groups on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. The frequency of ECL measurement on a collective basis is monthly. The Bank groups exposures if there is sufficient information for the group to be statistically credible. The characteristics used to determine groupings are outlined below:

Retail loans:

- Product type (e.g. mortgages, credit cards, overdraft, term loans, retail SME)
- Origination vintage (Months on Book at time of assessment)
- Delinquency Bucket at time of assessment (current, 1-30 DPD, 31-60 DPD, 61 to 90 DPD, default)

Wholesale corporate loans: Industry

- Business segment (large corporates, SME, small banking business)
- Internal credit rating band

The ECL calculations are based on the following factors ("the ECL Factors"):

- **Exposure at Default ("EAD"):** This is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest.
- **Credit Conversion Factor ("CCF"):** The *CCF* converts the amount of a credit line and other off-balance sheet amounts to an EAD amount.
- **Probability of Default ("PD"):** Represents the likelihood of a borrower/issuer defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), assessed on the prevailing economic conditions at the reporting date (PiT), adjusted to take into account estimates of future economic conditions that are likely to impact the risk of default either over the next 12 months (12M PD) for Stage 1 financial assets, or over the remaining lifetime (lifetime PD) of the obligation, for Stage 2 and 3 financial assets.
- **Loss given default ("LGD"):** Represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD is expressed as a percentage loss per unit of EAD.
- **Discount Rate**: The implied discount factor based on the original EIR of the financial asset or an approximation thereof.
- **Survival rate**: Is the cumulative probability of non-default at time t-1, further adjusted by the annual prepayment rate, PRt.

The use of the parameters in the ECL calculation depends on the Stage the credit exposure is in.

The scope of the exposures subject to individual assessment, is the following:

- Exposures classified into Stage 1 or Stage 2 & 3, irrespective of their balance, for which an individual assessment is deemed necessary by the relevant Units, based on current facts and circumstances at the reporting date,
- Exposures in Stage 3 for which the enforcement procedure has been initiated and collection is expected based on collateral liquidation, can be optionally subject to individual assessment.

The Divisions/Units responsible for conducting the individual assessment take into consideration both qualitative and quantitative factors in order to calculate the ECL allowance.

Apart from the aforementioned thresholds set for determining the Individually Significant Loans, additional exposures may be individually assessed, irrespectively of their total exposure, based on the knowledge of the Relationship Managers and Business Units.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.3 Impairment and provisioning policies – IAS 39

The impairment losses are identified losses of the Bank credit portfolio that incurred at the statement of financial position date and for which there is objective evidence of impairment. The Bank calculates the impairment provision after making the classification of credit exposure in the appropriate risk category.

The classification is made according to the following criteria:

- Client's creditworthiness;
- Client's regularity in settling the liabilities, and
- Collateral quality.

According to the Bank policies, impairment and provisioning are defined on individual and collective basis.

The individual approach encompasses at least the individually significant exposures that are above materiality thresholds set by the Bank. The materiality threshold is 0.007% of the total exposure to credit risk of the Bank. Impairment provision of individually assessed items on individual basis are determined by evaluation of generated loss on the balance sheet date, which represents the difference between the carrying and present value of projected future cash flows. Effective interest rate is used for discounting the future cash over a year.

The calculated impairment losses on group basis are provisioned on portfolios of homogenous assets that are individually lower than the materiality thresholds and for which sufficient long data series for the average life of the portfolio to calculate the impairment parameters. Impairment and provisioning are calculated by using parameters that are obtained from historical data on the delinquency rate of certain portfolios.

The following parameters are used at collective calculation of impairment and provisions:

- EAD (Exposure at Default) – Carrying value of certain group of loans;
- PD (Probability of Default) – Average probability that the loan in the group will be impaired during its lifetime;
- LGD (Loss Given Default) – Expected average loss per loan in the group (shown as % of EAD);
- LIP (Loss Identification Period) – Factor reflecting the period between the loss occurrence and its identification.

Individually important exposures for which there is no identified impairment on individual basis, and which can be grouped in homogenous portfolios according to credit risk similarity, are included in the collective assessment for impairment calculation. The impairment methodology assists Management in determining whether objective evidence of impairment exists under IAS 39 – Financial Instruments: Recognition and Measurement in full, based on the following criteria set out by the Bank:

- Delinquency in contractual payments of principal or interest,
- Initiated bankruptcy procedures or some form of financial reorganization,
- Significant financial difficulty of the debtor,
- Loss of significant customer(s),
- Damage of property, plant or equipment, used in the obligor's operations or taken as collateral,
- Conviction for criminal activities,
- Fraud relating to the granting of the loan,
- Obligor operates in an industry sector with financial difficulties, or in a country whose economy is in recession.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.4 Maximum exposure to credit risk before collateral held or other credit enhancements

	In thousands of Denars	
	31 December 2018	31 December 2017
Credit risk exposure relating to on balance sheet assets		
Cash and balances with the central bank	19,296,827	17,901,761
Financial assets through profit and loss	5,616	3,676
Securities measured at FVTOCI	80,059	6,230,521
Securities measured at amortized cost	5,789,884	-
Placement with, and loans to banks	197,089	159,539
Loans to customers	65,145,885	62,340,975
Other receivables (less foreclosure assets)	449,513	181,143
	90,964,873	86,817,615
Credit risk exposure relating to off-balance sheet assets/liabilities		
Financial guarantees	2,396,649	2,526,408
Standby letters of credits	84,989	29,840
Commitments to extend credits	11,787,420	11,844,578
Other off-balance sheet commitments	1,482	2,578
Gross exposure	14,270,540	14,403,404
Less: Provision for off-balance sheet items	(20,579)	(25,256)
	14,249,961	14,378,148
Total credit risk exposure	105,214,834	101,195,763

Deposits, property, cars, government bonds, pledges over machines and other movables are accepted as collateral in order to secure the credit exposures.

Mortgages are fully secured by property (residential and business premises) or deposits with a loan to value ratio up to 75%. Consumer loans in the amounts over EUR 15,000 are fully secured by property (only residential premises) or deposits.

Auto loans (included in category-consumer loans) are secured by vehicles.

The corporate loans and small business lines are secured with different types of collaterals: residential mortgage, commercial premises, cars, pledge over machines and other movables, L/Gs from first-class banks, corporate L/Gs and personal bills of exchange taking into consideration the quality of the collateral and the loan to value ratio.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers

a) Loans to customers are summarized below:

	Stage 1	Stage 2	Stage 3	Total gross	ECL allowance for Stage 1	ECL allowance for Stage 2	ECL allowance for Stage 3	Total ECL allowance	Total net
December 31,2018									
Cards	3,851,663	32,137	254,808	4,138,608	(18,751)	(2,479)	(145,919)	(167,149)	3,971,459
Consumer	28,315,371	1,265,649	2,393,948	31,974,968	(390,918)	(176,662)	(1,257,554)	(1,825,134)	30,149,834
Mortgage	9,313,141	810,231	274,979	10,398,351	(6,777)	(15,371)	(50,583)	(72,731)	10,325,620
Small business loans	2,795,037	691,696	142,358	3,629,091	(12,433)	(16,116)	(105,512)	(134,061)	3,495,030
Corporate loans	13,188,860	2,706,536	4,308,500	20,203,896	(145,104)	(185,756)	(2,669,094)	(2,999,954)	17,203,942
Total	57,464,072	5,506,249	7,374,593	70,344,914	(573,983)	(396,384)	(4,228,662)	(5,199,029)	65,145,885

b) Ageing analysis of loans and advances to customers net of allowance for impairment

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31,2018								
Cards	3,832,912	29,658	1,771	8,639	14,682	27,924	55,873	3,971,459
Consumer	28,642,099	324,342	122,136	103,920	134,106	186,711	636,520	30,149,834
Mortgage	9,918,474	186,194	63,047	16,349	19,245	18,099	104,212	10,325,620
Small-business loans	3,260,295	137,422	64,634	23,672	5,686	2,117	1,204	3,495,030
Corporate loans	14,908,757	639,956	252,416	545,708	63,572	103,866	689,667	17,203,942
Total	60,562,537	1,317,572	504,004	698,288	237,291	338,717	1,487,476	65,145,885

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

c) Movement in Gross carrying amount of loans and advances to customers at amortised cost

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2018				
Balance at beginning of period	54,727,030	5,195,470	7,519,827	67,442,327
Transfer from Stage 1 to Stage 2	(3,444,709)	3,444,709	-	-
Transfer from Stage 1 to Stage 3	(913,540)	-	913,540	-
Transfer from Stage 2 to Stage 1	1,561,274	(1,561,274)	-	-
Transfer from Stage 2 to Stage 3	-	(561,491)	561,491	-
Transfer from Stage 3 to Stage 2	-	87,556	(87,556)	-
New financial assets	21,882,849	957,119	-	22,839,968
Write-offs	-	-	(374,613)	(374,613)
Other movements including repayments	(16,348,832)	(2,055,840)	(1,158,096)	(19,562,768)
Ending balance	57,464,072	5,506,249	7,374,593	70,344,914

	Mortgage				Consumer			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2018								
Balance at beginning of period	9,035,960	219,363	312,937	9,568,260	26,958,133	625,167	2,150,628	29,733,928
Transfer from Stage 1 to Stage 2	(657,198)	657,198	-	-	(1,009,152)	1,009,152	-	-
Transfer from Stage 1 to Stage 3	(10,935)	-	10,935	-	(318,902)	-	318,902	-
Transfer from Stage 2 to Stage 1	90,860	(90,860)	-	-	215,536	(215,536)	-	-
Transfer from Stage 2 to Stage 3	-	(20,907)	20,907	-	-	(145,884)	145,884	-
Transfer from Stage 3 to Stage 2	-	45,215	(45,215)	-	-	37,356	(37,356)	-
New financial assets	2,381,771	88,634	-	2,470,405	12,142,650	275,068	-	12,417,718
Write-offs	-	-	-	-	-	-	(110,448)	(110,448)
Other movements	(1,527,317)	(88,412)	(24,585)	(1,640,314)	(9,672,894)	(319,674)	(73,662)	(10,066,230)
Ending balance	9,313,141	810,231	274,979	10,398,351	28,315,371	1,265,649	2,393,948	31,974,968

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

c) Movement in Gross carrying amount of loans and advances to customers at amortized cost (Continued)

	Credit Cards				Small Busnisess			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2018								
Balance at beginning of period	3,846,999	38,894	250,304	4,136,197	2,230,285	731,838	142,599	3,104,722
Transfer from Stage 1 to Stage 2	(27,423)	27,423	-	-	(401,016)	401,016	-	-
Transfer from Stage 1 to Stage 3	(6,269)	-	6,269	-	(12,404)	-	12,404	-
Transfer from Stage 2 to Stage 1	22,636	(22,636)	-	-	214,612	(214,612)	-	-
Transfer from Stage 2 to Stage 3	-	(947)	947	-	-	(37,272)	37,272	-
Transfer from Stage 3 to Stage 2	-	1,766	(1,766)	-	-	3,219	(3,219)	-
New financial assets	350,133	4,327	-	354,460	1,467,071	100,694	-	1,567,765
Write-offs	-	-	(24,534)	(24,534)	-	-	(23,134)	(23,134)
Other movements	(334,413)	(16,690)	23,588	(327,515)	(703,511)	(293,187)	(23,564)	(1,020,262)
Ending balance	3,851,663	32,137	254,808	4,138,608	2,795,037	691,696	142,358	3,629,091

	Large				SME			
	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total	Stage 1 12 month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2018								
Balance at beginning of period	6,774,359	1,432,895	2,756,168	10,963,422	5,881,294	2,147,313	1,907,191	9,935,798
Transfer from Stage 1 to Stage 2	(283,551)	283,551	-	-	(1,066,369)	1,066,369	-	-
Transfer from Stage 1 to Stage 3	(484,353)	-	484,353	-	(80,677)	-	80,677	-
Transfer from Stage 2 to Stage 1	572,855	(572,855)	-	-	444,775	(444,775)	-	-
Transfer from Stage 2 to Stage 3	-	(177,949)	177,949	-	-	(178,532)	178,532	-
Transfer from Stage 3 to Stage 2	-	-	-	-	-	-	-	-
New financial assets	2,712,064	145,256	-	2,857,320	2,829,160	343,140	-	3,172,300
Write-offs	-	-	(104,536)	(104,536)	-	-	(111,961)	(111,961)
Other movements	(1,655,939)	(449,162)	(1,227,418)	(3,332,519)	(2,454,758)	(888,715)	167,545	(3,175,928)
Ending balance	7,635,435	661,736	2,086,516	10,383,687	5,553,425	2,044,800	2,221,984	9,820,209

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

d) Movement in allowance for impairment:

	Stage 1 12 - month ECL	Stage 2 Lifetime ECL	Stage 3 Credit Impaired	Total
December 31,2018				
Balance at beginning of period	(652,732)	(409,905)	(4,124,487)	(5,187,124)
Transfer from Stage 1 to Stage 2	45,366	(45,366)	-	-
Transfer from Stage 1 to Stage 3	33,085	-	(33,085)	-
Transfer from Stage 2 to Stage 1	(109,396)	109,396	-	-
Transfer from Stage 2 to Stage 3	-	91,066	(91,066)	-
Transfer from Stage 3 to Stage 2	-	(23,566)	23,566	-
New financial assets, net of Recoveries	(233,138)	(73,713)	-	(306,851)
Write-offs	-	-	374,595	374,595
Other movements	342,832	(44,296)	(378,185)	(79,649)
Ending balance	(573,983)	(396,384)	(4,228,662)	(5,199,029)

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

e) Loans to customers neither past due nor impaired, past due but not impaired and individually impaired (IAS 39)

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total gross	Allowance for individ. impaired loans	Allowance for collectively impaired loans	Total allowance for impairm.	Total net
December 31, 2017								
Cards	3,516,972	611,262	7,963	4,136,197	(7,405)	(230,845)	(238,250)	3,897,947
Consumer	23,183,301	6,348,757	201,879	29,733,937	(130,801)	(1,532,454)	(1,663,255)	28,070,682
Mortgage	8,142,209	1,275,948	150,103	9,568,260	(41,213)	(19,735)	(60,948)	9,507,312
Small business Loans	2,067,559	677,759	359,403	3,104,721	(118,202)	(119)	(118,321)	2,986,400
Corporate Loans	13,701,899	1,779,605	5,417,716	20,899,220	(2,948,119)	(72,467)	(3,020,586)	17,878,634
Total	50,611,940	10,693,331	6,137,064	67,442,335	(3,245,740)	(1,855,620)	(5,101,360)	62,340,975

All the loans to customers neither past due nor impaired have been mapped to the group of the satisfactory credit risk based on the criteria of the internal credit-quality grading system.

The breakdown of the neither past due nor impaired is provided based on the risk classification defined by the NBRNM and it can be noted that the vast majority (or 98.1%) of the exposures belonging to this category is classified in risk category A. This risk category indicate that the exposures are current on their obligations, have stable financial performance and have no indications of any issues that would eventually compromise the ability of the client for regular repayment. The risk categories B and C are a result of delinquencies in the period prior to the assessment date, or early identification of financial weaknesses that still do not have an impact on the repayment ability.

	In thousands of Denars 31 December 2017	
Risk Category	Neither past due nor impaired	%
A	49,645,217	98.1%
B	910,804	1.8%
C	55,919	0.1%
	50,611,940	100.0%

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

f) Loans to customers past due but not impaired

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31, 2017								
Cards	342,039	25,521	8,361	14,952	31,785	188,604	-	611,262
Consumer	3,882,649	399,421	167,709	145,813	195,797	1,557,368	-	6,348,757
Mortgage	932,927	123,742	82,650	25,597	26,444	84,588	-	1,275,948
Small-business Loans	677,759	-	-	-	-	-	-	677,759
Corporate loans	1,779,605	-	-	-	-	-	-	1,779,605
Total	7,614,979	548,684	258,720	186,362	254,026	1,830,560	-	10,693,331

g) Loans to customers impaired

	Past due up to 30 days	Past due 31-60 days	Past due 61-90 days	Past due 91-180 days	Past due 181-365 days	Past due 1-2 years	Past due over 2 years	Total
December 31, 2017								
Cards	-	417	16	208	1,015	6,307	-	7,963
Consumer	597	36,946	12,946	12,845	1,915	136,628	-	201,877
Mortgage	7,065	75,768	10,069	-	-	57,201	-	150,103
Small-business Loans	12,372	144,717	75,186	20,651	14,340	12,532	79,605	359,403
Corporate loans	104,569	187,033	684,488	1,013,407	144,654	354,331	2,929,236	5,417,718
Total	124,603	444,881	782,705	1,047,111	161,924	566,999	3,008,841	6,137,064

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.5 Loans to customers (Continued)

The fair value of collateral is based on valuation techniques that are used for similar assets.

The fair value of collateral for retail portfolio is as follows:

	2018	2017
Cash and cash equivalents or restricted accounts held in Bank	1,082,911	1,043,352
Movable property	119,710	147,305
Residential property	35,214,198	30,345,291
Other real estate	1,749,035	1,834,224
Total	38,165,854	33,370,172

The fair value of collateral for corporate portfolio is summarized below:

	2018	2017
Cash and cash equivalents or restricted accounts held in Bank	1,424,089	1,075,914
Financial and corporate guarantees	6,194,196	9,619,903
Movable property	18,135,531	17,844,588
Real estate	30,846,884	30,777,371
Total	56,600,700	59,317,776

h) Renegotiated loans to customers

The Bank is renegotiating the loan to the borrower due to a diminishing of the borrower's creditworthiness, if it has:

a. Extended the principal and interest maturity;
b. Decreased the interest rate on the loan approved;
c. Reduced the amount of debt, principal or interest;
d. Made other concessions, which place the borrower in better financial position.

Upon renegotiating of the loan, the Bank performs a financial analysis of the borrower and assesses its capacities to realize cash flows necessary for the repayment of the loan principal, as well as the corresponding interest once the loan is renegotiated.

During 2018 the Bank has renegotiated loans at a total amount of Denar 1,121,637 thousand (2017: Denar 549,404 thousand).

4. F INANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.6 Cash and balances with the central bank, investment in securities and placement with, and loans to banks

Cash and balances with the central bank are classified in Stage 1 Issuer of the treasury bills is the National Bank of the Republic of North Macedonia. S&P assigned to the RNM sovereign foreign and local currency long term ratings of BB+ and short term ratings of B-, with stable outlook. Accounts and deposits with foreign banks are placed in the banks that have S&P bank or sovereign rating from AAA to A- in amount of Denar 1,203,536 thousands (2017: Denar 1,619,982 thousands) rating from BBB+ to B- in amount of Denar 455,938 thousands (2017: Denar 17,926 thousands) and only deposits in NBG have CCC+ rating, in amount of Denar 1,106 thousands (2017: Denar 988 thousands). Time deposits up to three months are also in first class banks with S&P bank or sovereign rating from AAA to A-.

Securities measured at FVOCI consists of equity securities.

Securities measured at amortized cost, classified as Stage 1, consists of debt securities issued by the Government of the RNM classified as neither past due nor impaired, with S&P BB+/B- rating.

Placement with, and loans to banks, classified as Stage 1, in amount of Denar 188,460 thousands (2017: Denar 150,815 thousands), has S&P bank or sovereign rating from AAA to A- and the part of loans in foreign banks, are classified as Stage 3, in net amount of Denar 8,629 thousand (2017: Denar 8,724 thousands).

4.2.7 Foreclosed assets

During 2018, the Bank conducted appraisals on the total foreclosed assets portfolio in order to determine the fair value of the assets.

In this period, the Bank sold 16 assets (2017: 17assets) at a total value of Denar 186,353 thousand (2017: Denar 38,472 thousand), whereas it foreclosed 4 facilities (2017: 8 facilities) at a total value of Denar 18,967 (2017: Denar 145,125 thousand). The general policy of the Bank is to sell these facilities within a period of 3 years, based on which the Bank is undertaking appropriate activities to release it.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.8 Concentration of risks of financial assets with credit risk exposure

Geographical sectors

The following table breaks down the Bank's main credit exposure at their carrying amounts, as categorized by geographical region as of December 31, 2018 and 2017. In this table, the Bank has allocated exposures to regions based on the country of domicile of the counterparties.

	Cash and balances with the central bank		Financial assets through profit and loss		Investment in securities		Placements with and loans to banks		Loans to customers		Other receivables		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Geographical region														
RNM	14,582,574	13,823,483	-	-	5,869,912	6,230,490	-	-	65,145,885	62,340,975	449,513	181,143	86,047,884	82,576,091
EU member countries	2,992,783	4,078,278	-	-	31	31	40,980	38,182	-	-	-	-	3,033,794	4,116,491
Europe (other)	-	-	5,616	3,676	-	-	8,628	8,775	-	-	-	-	14,244	12,451
OECD member countries (less European OECD member countries)	1,721,470	-	-	-	-	-	410	115	-	-	-	-	1,721,880	115
Other	-	-	-	-	-	-	147,072	112,467	-	-	-	-	147,071	112,467
Total	19,296,827	17,901,761	5,616	3,676	5,869,943	6,230,521	197,089	159,539	65,145,885	62,340,975	449,513	181,143	90,964,873	86,817,615

Credit risk exposure relating to net to off-balance sheet items entirely relates to the geographical region of the Republic of North Macedonia.

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Industry sector

The table breaks down the Bank's main credit exposure of the on balance sheet financial assets at their carrying amounts, as summarized by the industry sectors of the counterparties

	Cash and balances with the central bank		Financial assets through profit and loss		Investment in securities		Placements with and loans to banks		Loans to customers		Other receivables		Total	
Industry	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Agriculture, forestry and fishing	-	-	-	-	-	-	-	-	597,241	527,895	87	-	597,328	527,895
Mining and quarrying	-	-	-	-	-	-	-	-	173,806	354,837	-	-	173,806	354,837
Manufacturing	-	-	-	-	-	-	-	-	7,264,620	7,576,566	361,258	42,615	7,625,878	7,619,181
Electricity, gas, steam and air conditioning supply	-	-	-	-	-	-	-	-	1,959,386	2,321,254	747	-	1,960,133	2,321,254
Water supply; sewerage, waste management and remediation activities	-	-	-	-	-	-	-	-	9,058	23,306	98	-	9,156	23,306
Construction	-	-	-	-	-	-	-	-	1,486,062	1,505,971	1,690	20,672	1,487,752	1,526,643
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	-	1,361	1,618	-	-	5,599,190	5,372,494	3,332	13,862	5,603,883	5,387,974
Transportation and storage	-	-	-	-	-	-	-	-	854,570	955,485	863	329	855,433	955,814
Accommodation and food service activities	-	-	-	-	-	-	-	-	785,518	478,620	190	27	785,708	478,647
Information and communication	-	-	-	-	-	-	-	-	160,530	165,950	500	51	161,030	166,001
Financial and insurance activities	19,296,827	17,901,761	5,616	3,676	78,698	75,818	197,089	159,539	98,434	30,884	2,950	22,575	19,679,614	18,194,253
Real estate activities	-	-	-	-	-	-	-	-	581,159	764,031	57	-	581,216	764,031
Professional, scientific and technical activities	-	-	-	-	-	-	-	-	377,016	312,821	74	99	377,090	312,920
Administrative and support service activities	-	-	-	-	-	-	-	-	615,788	320,224	452	-	616,240	320,224
Public administration and defence; compulsory social security	-	-	-	-	5,789,884	6,153,085	-	-	2,862	-	-	-	5,792,746	6,153,085
Education	-	-	-	-	-	-	-	-	-	8,889	-	-	-	8,889
Human health and social work activities	-	-	-	-	-	-	-	-	65,435	56,700	68	-	65,503	56,700
Arts, entertainment and recreation	-	-	-	-	-	-	-	-	39,740	52,631	59	-	39,799	52,631
Other service activities	-	-	-	-	-	-	-	-	28,557	36,475	-	9	28,557	36,484
Individuals	-	-	-	-	-	-	-	-	44,446,913	41,475,942	77,088	80,904	44,524,001	41,556,846
Total	19,296,827	17,901,761	5,616	3,676	5,869,943	6,230,521	197,089	159,539	65,145,885	62,340,975	449,513	181,143	90,964,873	86,817,615

4. FINANCIAL INSTRUMENTS (Continued)

4.2 Credit risk (Continued)

4.2.8 Concentration of risks of financial assets with credit risk exposure (Continued)

Industry sector (Continued)

The table breaks down the Bank's main credit exposure of the off-balance sheet items at their carrying amounts, as summarized by the industry sectors of the counterparties.

	In thousands of Denars	
	2018	2017
Industry		
Agriculture, forestry and fishing	97,268	67,292
Mining and quarrying	39,828	19,036
Manufacturing	1,416,971	1,129,017
Electricity, gas, steam and air conditioning supply	321,059	329,833
Water supply; sewerage, waste management and remediation activities	6,545	6,311
Construction	1,411,511	2,020,841
Wholesale and retail trade; repair of motor vehicles and motorcycles	2,421,690	2,197,369
Transportation and storage	398,640	377,266
Accommodation and food service activities	30,802	40,367
Information and communication	77,433	75,669
Financial and insurance activities	167,838	167,111
Real estate activities	30,059	4,901
Professional, scientific and technical activities	138,389	90,643
Administrative and support service activities	122,866	140,910
Education	24,284	24,574
Human health and social work activities	2,821	5,287
Arts, entertainment and recreation	46,624	50,609
Other service activities	15,364	4,796
Individuals	7,479,969	7,626,316
Total	14,249,961	14,378,148

4.3 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in currency, interest rate, and equity products, all of which are exposed to market movements and changes in the level of volatility of market rates or prices (such as interest rates, credit spreads, foreign exchange rates and equity prices).

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank sets limits on the level of exposure by currency and in aggregate for all currencies, which are monitored on a daily basis. The tables below summarize Bank's exposure to foreign exchange risk as at December 31, 2018 and 2017:

In thousands of Denars
December 31, 2018

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and balances with the central bank	4,213,931	2,047,474	2,000,219	8,261,624	11,035,203	19,296,827
Financial assets through profit and loss	5,616	-	-	5,616	-	5,616
Securities measured at FVTOCI	31	-	-	31	80,028	80,059
Securities measured at amortized cost	1,717,326	-	-	1,717,326	4,072,558	5,789,884
Placement with, and loans to banks	4,630	190,187	2,272	197,089	-	197,089
Loans to customers	20,667,885	24,527	-	20,692,412	44,453,473	65,145,885
Other receivables	1,872	206	1,249	3,327	446,186	449,513
Total assets	26,611,291	2,262,394	2,003,740	30,877,425	60,087,448	90,964,873
LIABILITIES						
Deposits from banks	16,391	109,801	33,309	159,501	3	159,504
Deposits from customers	26,189,030	2,144,735	1,953,712	30,287,477	45,714,897	76,002,374
Loans payable	145,864	-	-	145,864	150,591	296,455
Other liabilities	104,792	27	48	104,867	825,255	930,122
Total liabilities	26,456,077	2,254,563	1,987,069	30,697,709	46,690,746	77,388,455
Net currency gap:	155,214	7,831	16,671	179,716	13,396,702	13,576,418

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.1 Foreign exchange risk (Continued)

In thousands of Denars
December 31, 2017

	EUR	USD	Other currency	Total foreign currency	In reporting currency	Total
ASSETS						
Cash and balances with the central bank	4,037,782	1,487,538	1,843,254	7,368,574	10,533,187	17,901,761
Financial assets through profit and loss	3,676	-	-	3,676	-	3,676
Available-for-sale financial assets	1,367,980	-	-	1,367,980	4,862,541	6,230,521
Placement with, and loans to banks	4,630	152,519	2,390	159,539	-	159,539
Loans to customers	21,970,164	436,846	-	22,407,010	39,933,965	62,340,975
Other receivables	1,068	414	133	1,615	179,528	181,143
Total assets	27,385,300	2,077,317	1,845,777	31,308,394	55,509,221	86,817,615
LIABILITIES						
Deposits from banks	58,374	734	23,355	82,463	7	82,470
Deposits from customers	25,044,017	1,983,655	1,815,397	28,843,069	42,037,369	70,880,438
Loans payable	254,119	-	-	254,119	155,291	409,410
Other liabilities	109,473	181	55	109,709	1,103,322	1,213,031
Total liabilities	25,465,983	1,984,570	1,838,807	29,289,360	43,295,989	72,585,349
Net currency gap:	1,919,317	92,747	6,970	2,019,034	12,213,232	14,232,266

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk

The Bank is exposed to effects arising from movements at level of interest rates in the market that affect its financial position and cash flows. Taking into account the fact that the trading portfolio of the Bank is inconsiderable and refers mainly to government securities, the interest rate risk exposure is assessed from the aspect of Banking Book. The risk of change in interest rates in the Banking Book is the current or possible risk for profit (net interest income) and / or capital that arises from negative movements in interest rates, which affect the positions in the Banking Book. The assuming of this risk is part of banking activities and may be a significant source for profitability and shareholder value. Nonetheless, excessive risk of change in interest rates may represent a significant threat to the profit and capital base of the Bank. The Bank has established a framework for managing this risk in order to minimize the effects of negative changes in future interest rates by establishing and monitoring appropriate limits and utilizing techniques to measure the exposure to risk of changes in interest rates in Banking Book.

The Bank has established a framework for managing this risk in order to minimize the effects of negative changes in future interest rates by establishing and monitoring appropriate limits and utilizing techniques to measure the exposure to risk of changes in interest rates in Banking Book.

The tables below summarize the Bank's interest bearing and non-interest bearing assets and liabilities as of December 31, 2018 and 2017.

In thousands of Denars

December 31, 2018

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Interest bearing	Non-interest bearing	Total
ASSETS									
Cash and balances with the central bank	9,142,613	-	-	-	-	-	9,142,613	10,154,214	19,296,827
Financial assets through profit and loss	-	-	-	-	-	-	-	5,616	5,616
Securities measured at FVTOCI	-	-	-	-	-	-	-	80,059	80,059
Securities measured at amortized cost	22,554	1,829,319	2,801,428	1,140,540	-	-	5,793,841	(3,957)	5,789,884
Placement with, and loans to banks	147,072	-	-	-	-	-	147,072	50,018	197,089
Loans to customers	38,244,448	2,004,913	6,968,050	8,843,670	6,734,692	352,864	63,148,638	1,997,247	65,145,885
Other receivables	-	-	-	-	-	-	-	449,513	449,513
Total assets	47,556,687	3,834,232	9,769,478	9,984,210	6,734,692	352,864	78,232,164	12,732,710	90,964,873
LIABILITIES									
Deposits from banks	145,712	-	-	-	-	-	145,712	13,791	159,504
Deposits from customers	46,095,580	5,088,941	19,259,481	4,648,350	457,180	86,611	75,636,143	366,231	76,002,374
Loans payable	23,760	-	57,332	30,977	33,483	-	145,553	150,902	296,455
Other liabilities	-	-	-	-	-	-	-	930,122	930,122
Total liabilities	46,265,052	5,088,941	19,316,813	4,679,327	490,663	86,611	75,927,408	1,461,046	77,388,455
Net interest gap:	1,291,635	(1,254,709)	(9,547,335)	5,304,883	6,244,029	266,253	2,304,756	11,271,664	13,576,418

4. FINANCIAL INSTRUMENTS (Continued)

4.3 Market risk (Continued)

4.3.2 Interest rate risk (Continued)

In thousands of Denars

December 31, 2017

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Interest bearing	Non-interest bearing	Total
ASSETS									
Cash and balances with the central bank	9,195,966	-	-	-	-	-	9,195,966	8,705,795	17,901,761
Financial assets through profit and loss	-	-	-	-	-	-	-	3,676	3,676
Available-for-sale financial assets	414,167	1,018,043	4,215,947	500,000	-	-	6,148,157	82,364	6,230,521
Placement with, and loans to banks	112,467	-	-	-	-	-	112,467	47,072	159,539
Loans to customers	43,886,873	1,372,956	5,225,748	1,916,852	2,711,819	4,772,851	59,887,099	2,453,876	62,340,975
Other receivables	-	-	-	-	-	-	-	181,143	181,143
Total assets	53,609,473	2,390,999	9,441,695	2,416,852	2,711,819	4,772,851	75,343,689	11,473,926	86,817,615
LIABILITIES									
Deposits from banks	82,470	-	-	-	-	-	82,470	-	82,470
Deposits from customers	40,714,835	5,636,074	18,103,604	5,360,473	585,887	130,705	70,531,578	348,860	70,880,438
Loans payable	36,676	-	77,389	80,746	64,176	279	259,266	150,144	409,410
Other liabilities	-	-	-	-	-	-	-	1,213,031	1,213,031
Total liabilities	40,833,981	5,636,074	18,180,993	5,441,219	650,063	130,984	70,873,314	1,712,035	72,585,349
Net interest gap:	12,775,492	(3,245,075)	(8,739,298)	(3,024,367)	2,061,756	4,641,867	4,470,375	9,761,891	14,232,266

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk

Liquidity risk represents a risk of Bank's inability to provide sufficient monetary assets to settle its short-term liabilities when they come due, i.e. a risk that the necessary liquid assets will be provided at much higher cost.

4.4.1 Liquidity risk management process

The Bank's liquidity risk management process encompasses:

- Application of operating standards related to the Bank's liquidity risk, including appropriate policies, procedures and resources for controlling and limiting liquidity risk;
- Maintenance of stock of liquid assets appropriate for the cash flow profile of the Bank which can be readily converted into cash without incurring undue capital losses;
- Measurement, control and scenario testing of funding requirements, as well as access to funding sources;
- Preparing contingency plans of the Bank for handling liquidity disruptions by means of the ability to fund some or all activities in a timely manner and at a reasonable cost;
- Monitoring liquidity risk limits and ratios, taking into account the Bank's risk appetite and profile, as well as the regulatory requirements for prescribed minimum level of liquidity rates.

The process of managing liquidity and liquidity risk is implemented through the establishment of adequate daily liquidity management through developing liquidity plans. The plans reflect the liquidity provided by cash flows and liquidity needed to funding the cash outflows.

During preparation of plans and projections for liquidity on a daily, weekly, monthly and long-term basis, all relevant aspects are taken in consideration - the established limits, maintaining the required currency structure, maturity matching of assets and sources of funds and other regulatory rules.

Monitoring of the Bank's liquidity is performed by the Treasury Division. The Treasury Division reconciles all inflows and/or outflows in all currencies along with money orders, checks, bank transfers and account transfers.

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2018

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and balances with the central bank	19,296,827	-	-	-	-	-	19,296,827
Financial assets through profit and loss	5,616	-	-	-	-	-	5,616
Securities measured at FVTOCI	-	-	-	-	-	80,059	80,059
Securities measured at amortized cost	25,687	1,827,815	2,801,805	1,134,577	-	-	5,789,884
Placement with, and loans to banks	1,770	-	-	-	-	195,319	197,089
Loans to customers	2,017,818	3,472,807	15,547,734	10,811,717	15,229,433	18,066,376	65,145,885
Other receivables	449,513	-	-	-	-	-	449,513
Total assets	21,797,231	5,300,622	18,349,539	11,946,294	15,229,433	18,341,754	90,964,873
LIABILITIES AND EQUITY							
Deposits from banks	159,504	-	-	-	-	-	159,504
Deposits from customers	38,026,760	5,967,226	21,667,167	7,633,602	2,529,337	178,282	76,002,374
Loans payable	1,504	23,761	57,332	30,976	33,483	149,399	296,455
Other liabilities	839,144	-	-	-	-	90,978	930,122
Total liabilities and equity	39,026,912	5,990,987	21,724,499	7,664,578	2,562,820	418,659	77,388,455
Net liquidity gap	(17,229,681)	(690,365)	(3,374,960)	4,281,716	12,666,613	17,923,095	13,576,418

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.1 Liquidity risk management process (Continued)

In thousands of Denars
December 31, 2017

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total
ASSETS							
Cash and balances with the central bank	17,901,761	-	-	-	-	-	17,901,761
Financial assets through profit and loss	3,676	-	-	-	-	-	3,676
Available-for-sale financial assets	416,296	1,018,043	4,218,747	500,000	-	77,435	6,230,521
Placement with, and loans to banks	1,026	-	-	-	-	158,513	159,539
Loans to customers	3,677,260	3,319,134	15,331,390	9,084,135	13,902,856	17,026,200	62,340,975
Other receivables	181,143	-	-	-	-	-	181,143
Total assets	22,181,162	4,337,177	19,550,137	9,584,135	13,902,856	17,262,148	86,817,615
LIABILITIES AND EQUITY							
Deposits from banks	82,470	-	-	-	-	-	82,470
Deposits from customers	33,085,058	6,205,900	21,205,892	7,949,372	2,234,983	199,233	70,880,438
Loans payable	37,421	-	77,388	80,747	64,176	149,678	409,410
Other liabilities	1,122,053	-	-	-	-	90,978	1,213,031
Total liabilities and equity	34,327,002	6,205,900	21,283,280	8,030,119	2,299,159	439,889	72,585,349
Net liquidity gap	(12,145,840)	(1,868,723)	(1,733,143)	1,554,016	11,603,697	16,822,259	14,232,266

Bank's assets and liabilities are classified according to their relevant maturities as at December 31, 2018 and 2017, except for loans and claims on other clients where the schedule in specific time intervals for loan products that have no defined maturity date (credit cards, OK loans, etc.) is made by using the historical data on the collection amount in relation to the total on-balance sheet claims under these products. Although the initial analysis reveals that there is no reconciliation between assets and liabilities for the period up to one year, significant part of the Bank's deposits up to one year are stable and considered as core deposits, amounts to Denar 66,100,781 thousand (2017: Denar 62,700,389 thousand) which helps the maturity non-reconciliation to be overcome.

4.4.2 Contractual maturity analysis for non-derivative financial liabilities (undiscounted cash flow)

The table below presents the cash flows payable by the Bank by remaining contractual maturities of non-derivative financial liabilities at the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Bank manages the inherent liquidity risk based on expected undiscounted cash inflows.

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.2 Contractual maturity analysis for non-derivative financial liabilities (undiscounted cash flow) (Continued)

In thousands of Denars
December 31, 2018

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	52,025	107,479	-	-	-	-	-	-	-	159,504
Deposits from customers	34,888,098	3,276,848	6,032,090	21,906,121	7,766,386	1,709,517	378,559	539,866	194,831	76,692,316
Loans payable	3,249	24,704	-	58,821	32,421	21,506	12,553	347	147,342	300,943
Other liabilities	837,078	-	-	-	-	-	-	-	93,044	930,122
Total	35,780,450	3,409,031	6,032,090	21,964,942	7,798,807	1,731,023	391,112	540,213	435,217	78,082,885

In thousands of Denars
December 31, 2017

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
LIABILITIES										
Deposits from banks	82,472	-	-	-	-	-	-	-	-	82,472
Deposits from customers	29,681,918	3,554,318	6,281,750	21,502,198	8,090,685	1,620,744	357,381	342,427	220,820	71,652,241
Loans payable	3,483	37,850	-	78,877	82,191	31,565	21,176	12,357	146,396	413,895
Other liabilities	1,118,770	-	-	-	-	-	-	-	94,261	1,213,031
Total	30,886,643	3,592,168	6,281,750	21,581,075	8,172,876	1,652,309	378,557	354,784	461,477	73,361,639

4. FINANCIAL INSTRUMENTS (Continued)

4.4 Liquidity risk (Continued)

4.4.3 Contractual maturity analysis for off-balance sheet items (undiscounted cash flow)

In thousands of Denars
December 31, 2018

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend Credits	3,669,833	-	-	1,724,970	620,793	-	-	-	5,771,824	11,787,420
Financial guarantees and LCs	-	173,091	296,158	819,997	907,862	124,522	64,896	437	94,675	2,481,638
Total	3,669,833	173,091	296,158	2,544,967	1,528,655	124,522	64,896	437	5,866,499	14,269,058

In thousands of Denars
December 31, 2017

	Sight	Up to 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 2 years	From 2 to 3 years	From 3 to 4 years	From 4 to 5 years	Over 5 years	Total
Commitments to extend credits	3,257,516	-	-	1,648,641	942,011	-	-	-	5,996,410	11,844,578
Financial guarantees and LCs	-	58,384	209,398	1,096,244	348,584	660,763	93,611	13,255	76,009	2,556,248
Total	3,257,516	58,384	209,398	2,744,885	1,290,595	660,763	93,611	13,255	6,072,419	14,400,826

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities

In thousands of Denars

	Carrying amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Financial assets				
Cash and balances with the central bank	19,296,827	17,901,761	19,296,827	17,901,761
Financial assets through profit and loss	5,616	3,676	5,616	3,676
Available-for-sale financial Assets	-	6,230,521	-	6,230,521
Securities measured at FVTOCI	80,059	-	80,059	-
Securities measured at amortized cost	5,789,884	-	5,789,884	-
Placement with, and loans to Banks	197,089	159,539	197,089	159,539
Loans to customers	65,145,885	62,340,975	65,145,885	62,340,975
Other receivables (less foreclosure assets)	449,513	181,143	449,513	181,143
	90,964,873	86,817,615	90,964,873	86,817,615
Financial liabilities				
Deposits from banks	159,504	82,470	159,504	82,470
Deposits from customers	76,002,374	70,880,438	76,002,374	70,880,438
Loans payable	296,455	409,410	296,455	409,410
Other liabilities	930,122	1,213,031	930,122	1,213,031
	77,388,455	72,585,349	77,388,455	72,585,349

Cash and balances with the central bank

The carrying amount of Cash and balances with the central bank equals their fair values as they include cash and nostro accounts representing unrestricted demand deposits and placements with NBRNM, which mature shortly. Fair value of treasury and other eligible bills is based on discounted cash flows.

Financial assets through profit and loss

Fair value as determined by reference to market prices equal to their carrying amount.

Available-for-sale financial assets

Their fair value is measured based on quoted prices or amounts derived from cash flow models. Consequently, their fair value is their carrying amount.

Placement with, and loans to banks

The majority of the time deposits represent overnight deposits. The fair value of the overnight deposits and sight placements is their carrying amount. The smaller portion of the time deposits are fixed interest bearing deposits, which estimated fair value determined based on discounting cash flow using interest rates for similar placements.

Loans to customers

Loans are net of provisions for impairment. The major part of the loans to customers is with floating interest rate reflecting the current market conditions. The remaining part of the loans with fixed interest rate relates to "teaser loans", for which the fair value is estimated based on the discounted cash flow.

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Other receivables, less foreclosure assets

Other receivables approximate their fair value as they will mature shortly.

Deposits from banks

The fair value of sight and time deposits from banks and other financial institutions is their carrying amount.

Financial liabilities through profit and loss

Fair value as determined by inputs derived from market prices.

Deposits from customers

The fair value of the sight deposits and the deposits with floating interest rate is their carrying amount. The estimated fair value of the deposits with fixed interest rate is based on discounted cash flows using the interest rate for similar deposits with similar maturity.

Loans payable (including subordinated debt)

Subordinated debt represents the major part of this position. This loan is with floating interest rate. The remaining part relates to the loans from specific sources for which the market interest rate cannot be reliably determined, taking into consideration the fact that there are no similar instruments on the market.

Other liabilities

Other liabilities approximate their fair value as they will mature shortly.

Fair value hierarchy

The Bank classifies all financial assets and liabilities at fair value, using fair value hierarchy which reflects the significance of inputs used in determining fair value. The fair value hierarchy includes the following levels:

a) Level 1 - Fair value is determined directly with reference to quoted market prices of the financial instruments in active markets;

b) Level 2 -Fair value is determined using valuation techniques that include active markets inputs, which can be direct, i.e. prices, or indirect, i.e. derived from prices;

c) Level 3- Fair value is determined using valuation techniques that include inputs that cannot be directly or indirectly followed on the active markets, or are not visible.

There were no transfers between Level 1 and 2 in the period.

4. FINANCIAL INSTRUMENTS (Continued)

4.5 Fair value of financial assets and liabilities (Continued)

Fair value hierarchy (Continued)

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable:

			In thousands of Denars December 31, 2018	
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	5,616	5,616	-	-
Securities measured at FVTOCI				
Equity securities	80,059	-	55,652	24,407
Securities measured at amortized cost				
Government bills		-	2,244,642	-
Government continued coupon bond	5,789,884	-	3,545,242	-
Total	5,875,559	5,616	5,845,536	24,407

			In thousands of Denars December 31, 2017	
	Fair value	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Financial assets through profit and loss	3,676	3,676	-	-
Available-for-sale financial assets				
Debt securities issued by the Government	6,153,085	-	6,153,085	-
Equity securities	77,436	-	53,029	24,407
Total	6,234,197	3,676	6,206,114	24,407

Level 3 financial instruments at December 31, 2018 include available-for sale non-marketable private equity investments where prices are determined by the price of the most recent investments, based on which it is not practical to quote a range of key unobservable inputs.

Reconciliation of the fair value measurement in level 3 is not presented since there was no movement during 2018.

4. FINANCIAL INSTRUMENTS (Continued)

4.6 Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' presented in the balance sheet, are:

- to comply with the capital requirements set by NBRNM;
- to safeguard the Bank's ability to continue as a successful company providing positive financial results and benefits for other stakeholders; and
- to maintain a strong capital base to support further successful activity.

Capital adequacy and the use of regulatory capital are monitored regularly by the Bank's management, employing techniques based on the directives set by the regulator, for supervisory purposes. The required information is sent to NBRNM on a quarterly basis.

According to the Decision on amending the Decision on the methodology on determining the capital adequacy, applied as of March 2017, amendment is made in the part of the structure of the regular capital (own funds) of banks.

The Bank's regulatory capital (own funds) is divided into two tiers:

- Tier 1 capital: consisted of two parts, common equity tier 1 and additional Tier 1 capital. The common equity tier 1 capital is consisting of share capital, retained undistributed profit restricted for distribution to shareholders, reserves created from retained profit, as well as accumulated other comprehensive income. The Bank has no additional tier 1 capital as disposal; and
- Tier 2: consisting of cumulative preferred shares.

The legally prescribed minimum rate for risk-weighted assets is: 4.5% for the common equity tier 1 capital, 6% for the tier 1 capital and 8% for own funds.

Furthermore, in accordance with the assessment of the whole risk profile of the Bank, NBRNM determines additional capital of 4.0% and the Bank is obliged to maintain capital adequacy rate of at least 12.0%.

The Bank is obliged additionally to maintain capital buffers prescribed by the Law on banks, namely capital conservation buffer of 2.5% and systemically important banks buffer of 1.5%.

The Bank complies with the prescribed capital adequacy rates as at 31.12.2018.

The Bank is calculating the capital adequacy rate in accordance with the Decision on the methodology for determining the capital adequacy of NBRNM, according to which the manner is prescribed for calculating the capital required for banks to cover the credit risk, operational risk, market risks and the currency risk.

The calculation of the capital required for covering the credit risk is based on the so called standardized approach according to Basel II. The Bank is obliged to distribute the on-balance sheet and off-balance sheet claims in appropriate categories of exposure and to provide them with a risk weight depending on the credit quality degree of the debtor or the claim. Capital to cover the operational risk is also calculated according standardized approach. The calculation of the capital for currency risk is to the net amount of aggregate foreign currency position taking into consideration the impairment. The Bank is not obliged to determine and dispose of the capital required for covering the market risks.

The table below summarizes the compositions of regulatory capital and the capital adequacy ratio of the Bank for the years ended December 31, 2018 and 2017 regarding the requirement of regulatory authority. During these two years, the Bank complied with all of the regulatory imposed capital requirements.

4. FINANCIAL INSTRUMENTS (Continued)

4.6 Capital management (Continued)

	In thousands of Denars December 31, 2018
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	8,294,664
Accumulated other comprehensive income	84,684
Total qualifying Tier 1 capital	11,890,590
Tier 2 capital	
Cumulative non-voting shares	90,978
Total qualifying Tier 2 capital	90,978
Total regulatory capital	11,981,568
Credit risk-weighted assets	
On-balance sheet	60,765,784
Off-balance sheet	4,175,161
Total credit risk-weighted assets	64.940.945
FX risk-weighted assets	672,704
Operational risk-weighted assets	7,993,485
Risk-weighted assets	73,607,134
Capital adequacy ratio	16.28%

	In thousands of Denars December 31, 2017
Tier 1 capital	
Ordinary shares	3,511,242
Statutory reserves and retained earnings	6,757,024
Accumulated other comprehensive income	200,121
Total qualifying Tier 1 capital	10,468,387
Tier 2 capital	
Cumulative non-voting shares	90,978
Total qualifying Tier 2 capital	90,978
Total regulatory capital	10,559,365
Credit risk-weighted assets	
On-balance sheet	55,039,759
Off-balance sheet	4,681,561
Total credit risk-weighted assets	59,721,320
FX risk-weighted assets	1,031,708
Operational risk-weighted assets	7,731,117
Risk-weighted assets	68,484,145
Capital adequacy ratio	15.42%

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis

4.7.1 Sensitivity analysis (foreign currency)

The currency risk management, performed by monitoring the assets and liabilities in foreign currencies, is supplemented by conducting sensitivity analysis of the Bank's foreign currencies assets and liabilities. Therefore, appropriate scenario (change of the exchange rates by +10% i.e. -10%, with respect to the Denar) is used.

December 31, 2018	Total	In thousands of Denars Change in exchange rate 10%	-10%
ASSETS			
Cash and balances with the central bank	19,296,827	826,162	(826,162)
Financial assets through profit and loss	5,616	562	(562)
Securities measured at FVTOCI	80,059	3	(3)
Securities measured at amortized cost	5,789,884	171,733	(171,733)
Placement with, and loans to banks	197,089	19,709	(19,709)
Loans to customers	65,145,885	2,069,241	(2,069,241)
Other receivables	449,513	333	(333)
Total assets	90,964,873	3,087,743	(3,087,743)
LIABILITIES			
Deposits from banks	159,504	15,950	(15,950)
Deposits from customers	76,002,374	3,028,748	(3,028,748)
Loans payable	296,455	14,586	(14,586)
Other liabilities	930,122	10,487	(10,487)
Total liabilities	77,388,455	3,069,771	(3,069,771)
Net currency gap:	13,576,418	17,972	(17,972)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.1 Sensitivity analysis (foreign currency) (Continued)

December 31, 2017		In thousands of Denars Change in exchange rate	
	Total	+10%	-10%
ASSETS			
Cash and balances with the central bank	17,901,761	736,857	(736,857)
Financial assets through profit and loss	3,676	368	(368)
Available-for-sale financial assets	6,230,521	136,798	(136,798)
Placement with, and loans to banks	159,539	15,954	(15,954)
Loans to customers	62,340,975	2,240,701	(2,240,701)
Other receivables	181,143	162	(162)
Total assets	86,817,615	3,130,840	(3,130,840)
LIABILITIES			
Deposits from banks	82,470	8,246	(8,246)
Deposits from customers	70,880,438	2,884,307	(2,884,307)
Loans payable	409,410	25,412	(25,412)
Other liabilities	1,213,031	10,971	(10,971)
Total liabilities	72,585,349	2,928,936	(2,928,936)
Net currency gap:	14,232,266	201,904	(201,904)

At December 31, 2018, if Denar had weakened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and net equity would have been Denar 17,972 thousand higher (2017: Denar 201,904 thousand). Conversely, if the Denar had strengthened 10% against the EUR (and all other currencies) with all other variables held constant, the profit for the year and the net equity would have been Denar 17,972 thousand lower (2017: Denar 201,904thousand).

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (interest rates)

			In thousands of Denars December 31, 2018
	Total	IR change + 200 bp	IR change - 200 bp
ASSETS			
Cash and balances with the central bank	19,296,827	182,852	(182,852)
Financial assets through profit and loss	5,616	-	-
Securities measured at FVTOCI	80,059	-	-
Securities measured at amortized cost	5,789,884	115,877	(115,877)
Placement with, and loans to banks	197,089	2,941	(2,941)
Loans to customers	65,145,885	1,262,973	(1,262,973)
Other receivables	449,513	-	-
Total assets	90,964,873	1,564,643	(1,564,643)
LIABILITIES			
Deposits from banks	159,504	2,914	(2,914)
Deposits from customers	76,002,374	1,512,723	(1,512,723)
Loans payable	296,455	2,911	(2,911)
Other liabilities	930,122	-	-
Total liabilities	77,388,455	1,518,548	(1,518,548)
Net interest gap:	13,576,418	46,095	(46,095)

4. FINANCIAL INSTRUMENTS (Continued)

4.7 Sensitivity analysis (Continued)

4.7.2 Sensitivity analysis (interest rates) (Continued)

			In thousands of Denars December 31, 2017
	Total	IR change + 200 bp	IR change - 200 bp
ASSETS			
Cash and balances with the central bank	17,901,761	183,919	(183,919)
Financial assets through profit and loss	3,676	-	-
Available-for-sale financial assets	6,230,521	122,963	(122,963)
Placement with, and loans to banks	159,539	2,249	(2,249)
Loans to customers	62,340,975	1,197,742	(1,197,742)
Other receivables	181,143	-	-
Total assets	86,817,615	1,506,873	(1,506,873)
LIABILITIES			
Deposits from banks	82,470	1,649	(1,649)
Deposits from customers	70,880,438	1,410,632	(1,410,632)
Loans payable	409,410	5,185	(5,185)
Other liabilities	1,213,031	-	-
Total liabilities	72,585,349	1,417,466	(1,417,466)
Net interest gap:	14,232,266	89,407	(89,407)

As a part of interest rate risk management, the Bank analyzes the sensitivity of the balance sheet items. The sensitivity analysis is performed taking into account interest bearing assets and liabilities. Hence, it was tested what would happen, if interest rates decreased/increased by 200 b.p.

If interest rates had been 200 bp higher with all other variables held constant, taking into account the balances of assets and liabilities as of December 31, 2018, profit for the year would have been Denar 46,095 thousand (2017: 89,407 Denar thousand higher) higher. Conversely, if the interest rates had been 200 b.p lower with all other variables held constant, profit for the year would have been Denar 46,095 thousand (2017: Denar 89,407 thousand lower) lower. Such an effect arises due to higher sensitivity of assets compared to the sensitivity of liabilities when experiencing a change of the interest rates.

5. SEGMENT REPORTING

The Bank manages its business through the following business segments:

Retail banking

Retail banking includes all individual customers to whom the Bank, through extended network of branches, offers various types of loan, deposit as well as wide range of other traditional services and products.

Corporate banking

Corporate includes lending to all large, medium-sized and small companies. The Bank offers its corporate customers a wide range of products and services, deposit accounts, loans, foreign exchange and trade service activities.

Investment banking

Investment banking includes safekeeping and administration of financial instruments for clients, including custodianship and related services and own portfolio management bonds investment portfolio (available for sale and held to maturity)

Other

This segment includes all other insignificant operating activities.

Unallocated

The segment unallocated include accrued revenue from activities that cannot be readily mapped into a particular business line such as commissions, income derived from insurance or income from extraordinary or non-regular items.

5.1 Operating segments

In thousands of Denars
Year ended December 31,2018

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	800,472	2,672,656	106,527	-	-	3,579,655
Net fee and commission income	326,862	447,832	1	-	-	774,695
Net trading income	-	-	1,940	-	-	1,940
Other operating income	(75,146)	(170,286)	5,399	-	451,710	211,677
Total income	1,052,188	2,950,202	113,867	-	451,710	4,567,967
Profit before tax	370,571	1,845,748	113,867	15,202	448,510	2,793,898
Income tax expense					(295,127)	(295,127)
Net profit for the year						2,498,771
Total assets	42,138,235	44,233,581	5,878,426	-	-	92,250,242
Total liabilities	60,116,191	17,434,773	2,059	-	176,765	77,729,788
Impairment of financial assets, net	370,945	(349,032)	-	15,202	-	37,115
Impairment of non-financial assets	-	(21,228)	-	-	(4,980)	(26,208)
Depreciation and amortization	-	(137,831)	-	-	(782)	(138,613)
Property and equipment purchases	(47,586)	(22,728)	-	-	(710)	(71,024)
Other expenses	(1,052,562)	(596,363)	-	-	2,562	(1,646,363)

5. SEGMENT REPORTING (Continued)

5.1 Operating segments (Continued)

In thousands of Denars
Year ended December 31,2017

	Retail banking	Corporate banking	Investment banking	Other	Unallocated	Total
Net interest income	2,331,331	1,251,496	-	(19,247)	-	3,563,580
Net fee and commission income	341,129	454,479	-	28	-	795,636
Net trading income	-	-	1,426	-	-	1,426
Other operating income	365,114	(566,334)	5,723	-	429,293	233,796
Total Income	3,037,574	1,139,641	7,149	(19,219)	429,293	4,594,438
Profit before tax	2,494,110	(220,306)	7,149	(32,930)	502,004	2,750,027
Income tax expense	-	-	-	-	(273,349)	(273,349)
Net profit for the year						2,476,678
Total assets	40,752,283	41,346,738	6,229,263	-	-	88,328,284
Total liabilities	55,842,909	17,018,027	3,284	-	-	72,864,220
Impairment of financial assets, net	78,693	(86,393)	-	(13,711)	-	(21,411)
Impairment of non-financial assets	(1,126)	(109,648)	-	-	75,835	(34,939)
Depreciation and amortization	-	(136,776)	-	-	(1,111)	(137,887)
Property and equipment purchases	(35,088)	(16,758)	-	-	(524)	(52,370)
Other expenses	(621,031)	(1,027,130)	-	-	(2,013)	(1,650,174)

5.2 Geographical areas

In thousands of Denars
December 31,2018

	RNM	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unalo-cated	Total
Total income, net	3,807,254	164,745	2,214	142,045	451,709	4,567,967
Total assets	87,808,906	2,367,889	31,829	2,041,618	-	92,250,242

In thousands of Denars
December 31, 2017

	RNM	EU countries	Europe - other	OECD countries (less EU OECD countries)	Other and Unallo-cated	Total
Total income, net	3,883,159	154,224	1,786	125,976	429,293	4,594,438
Total assets	84,367,383	2,166,304	25,084	1,769,513	-	88,328,284

6. INTEREST INCOME AND EXPENSE

Interest income and expense analyzed by category of financial instruments is as follows:

	In thousands of Denars Year ended December 31, 2018	2017
Interest income:		
Cash and balances with the central bank	147,482	184,633
Placement with, and loans to banks	52,104	29,013
Loans to customers	3,948,490	3,943,763
Investment securities	107,807	151,003
Other receivables	6,532	8,541
	4,262,415	4,316,953
Interest expense:		
Deposits from banks and financial institutions	189	29
Deposits from customers	676,414	745,684
Loans payable	4,110	5,386
Other liabilities	2,047	2,274
	682,760	753,373
Net interest income	3,579,655	3,563,580

The sector analysis of interest income and expense is as follows:

	Year ended December 31, 2018		In thousands of Denars Year ended December 31, 2017	
	Income	Expense	Income	Expense
Enterprises	774,233	64,196	1,011,115	79,941
State	105,650	2,239	151,162	2,248
Not-for-profit institutions	269	2,143	61	2,683
Banks	54,635	2,098	29,747	3,174
Other non-banking financial entities	155,023	53,222	189,110	53,506
Households	3,172,578	543,739	2,935,730	599,170
Non-residents	27	15,123	28	12,651
	4,262,415	682,760	4,316,953	753,373
Net interest income	3,579,655		3,563,580	

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense is analyzed by financial activity as follows:

In thousands of Denars

	Year ended December 31, 2018		Year ended December 31, 2017	
	Income	Expense	Income	Expense
Lending business	102,757	-	124,359	-
Domestic payment operations	195,345	72,142	306,856	64,258
Foreign payment operations	195,309	26,511	90,768	22,928
Letters of credit and guaranties	40,169	-	46,649	-
Brokerage	3,608	449	2,056	410
Assets administering	535	-	474	-
Credit cards	434,236	229,437	385,119	186,196
Consumer credit	30,161	-	36,581	-
Mortgage credit	-	27	-	3
Deposits	1,185	-	1,204	-
Safe box	9,084	-	8,345	-
Third party collection	3,409	-	6,629	-
Other	94,092	6,629	67,257	6,866
	1,109,890	335,195	1,076,297	280,661
Net fee and commission income	774,695		795,636	

The sector analysis of fee and commission income and expense is as follows:

In thousands of Denars

	Year ended December 31, 2018		Year ended December 31, 2017	
	Income	Expense	Income	Expense
Enterprises	476,831	6,160	505,887	6,160
State	3,711	-	3,741	-
Not-for-profit institutions	92	-	49	-
Banks	27,625	75,957	23,787	63,282
Other non-banking financial entities	-	23,614	-	25,020
Households	576,494	229,464	515,608	186,199
Non-residents	25,137	-	27,225	-
	1,109,890	335,195	1,076,297	280,661
Net fee and commission income	774,695		795,636	

8. TRADING INCOME, NET

	In thousands of Denars Year ended December 31, 2018	2017
Financial assets through profit and loss:		
Net gain on sales and fair valuation of equity securities	1,940	1,426
	1,940	1,426

9. FOREIGN EXCHANGE GAINS, NET

	In thousands of Denars Year ended December 31, 2018	2017
Realized exchange gains, net	104,205	93,201
Unrealized exchange losses, net	968	14,472
	105,173	107,673

10. OTHER OPERATING INCOME

	In thousands of Denars Year ended December 31, 2018	2017
Early withdrawal of deposits and operations with non-residents	18,620	38,730
Gain on sale of property and equipment and foreclosed assets	34,489	37,819
Court claims collections	15,915	27,764
Dividend from equity securities designated at FVTOCI	5,399	5,723
Income from mediation at mortgage insurance	1,559	1,896
Rental income	2,427	1,291
Income from collected damage from insurance companies	902	562
Other	27,193	12,338
	106,504	126,123

11. IMPAIRMENT REVERSAL, NET

	In thousands of Denars Year ended December 31, 2018	2017
(Impairment)/Reversal of impairment loss on financial assets, net	37,115	(21,411)
Impairment loss on non-financial assets	(26,208)	(34,939)
	10,907	(56,350)

Impairment/Reversal of impairment loss on financial assets, net

In thousands of Denars

	December 31,2018			December 31, 2017		
	Charge	Release	Net	Charge	Release	Net
Cash and balances with the central bank (Note 16)	-	(42)	(42)	-	-	-
Placement with, and loans to banks (Note 20)	1,040	(7,895)	(6,855)	102	(7,672)	(7,570)
Loans to customers (Note 21)	1,330,351	(1,330,714)	(363)	700,636	(677,971)	22,665
Other assets(Note 22)	28,251	(25,013)	3,238	13,900	(3,046)	10,854
Securities measured at amortized cost (Note 19)	936	-	936	-	-	-
Off-balance sheet items (Note 30)	1,103	(35,132)	(34,029)	4,919	(9,457)	(4,538)
	1,361,681	(1,398,796)	(37,115)	719,557	(698,146)	21,411

Accrued Interest income on impaired financial assets as at December 31, 2018 amount to nil (2017: Denar nil).

Impairment loss on non-financial asset

	In thousands of Denars Year ended December 31, 2018	2017
Investment property (Note 23)	3,997	796
Property and equipment (Note 25)	3,929	-
Assets acquired through foreclosure procedures (Note 22a)	18,282	34,143
	26,208	34,939

12. PERSONNEL EXPENSES

	In thousands of Denars Year ended December 31, 2018	 2017
Wages and salaries	471,742	460,485
Social security cost	232,781	217,836
Other staff costs	165,825	121,585
Pension costs based on defined benefit plans, net	(561)	3,429
	869,787	803,335
Average number of employees during the period	1,028	1,037
Number of permanent employees at the end of the year	1,027	1,047

13. DEPRECIATION AND AMORTIZATION

	In thousands of Denars Year ended December 31, 2018	 2017
Depreciation of property and equipment (Note 25)	87,982	90,233
Amortization of intangible assets (Note 24)	48,659	45,218
Depreciation of investment property (Note 23)	1,972	2,436
	138,613	137,887

14. OTHER OPERATING EXPENSES

	In thousands of Denars Year ended December 31, 2018	 2017
Insurance premiums for deposits	142,267	246,731
Administrative and marketing costs	121,568	106,707
Other service costs	84,016	75,716
Maintenance and other related expenses	82,219	70,045
Materials	66,298	66,234
Telecommunication and postage costs	61,818	70,563
Service fee (Legal fees, audit fees)	55,478	52,590
Rent	52,693	54,661
Collection costs	44,064	44,505
Credit cards costs	31,633	16,570
Insurance premiums for property and employees	13,064	11,945
Other expenses	12,124	22,476
Travel expenses	5,614	4,058
Court claims	1,892	2,721
Other taxes and contributions	1,828	1,317
	776,576	846,839

15. INCOME TAX EXPENSE

The major components of income taxes in the statement of comprehensive income are as follows:

	In thousands of Denars Year ended December 31, 2018	2017
Current income tax expense	321,735	239,612
Deferred income tax expense	(26,608)	33,737
	295,127	273,349

The total charge for the year can be reconciled to the accounting profit as follows:

	In thousands of Denars Year ended December 31, 2018	2017
Profit before tax	2,793,898	2.750.027
Income tax at the statutory income tax rate of 10%	279,390	275,003
Tax on expenses not allowed for tax purposes	15,467	11,811
Other	270	(13,465)
At effective rate of 10.56% (2017: 8.71%)	295,127	273,349

In accordance with the Income Tax Law which is in appliance for the fiscal 2018 and 2017, basis for taxation represents the realized gross profit (difference between the total income and expenditures) increased by certain costs that are not subject to taxation, or decreased by certain income, investments and similar which are not subject to taxation.

In accordance with the previous Law on income tax ,the accumulated undistributed profit for the years from 2009 to 2013 shall be subject to taxation at the moment of its distribution.

15.1 DEFERRED TAX ASSETS AND DEFERRED TAX LIABILITIES

Recognized deferred income tax (assets)/liabilities are attributable to the following items

In thousands of Denars

	31 December 2018			31 December 2017		
	Deferred tax assets	Deferred tax liabilities	Net basis	Deferred tax assets	Deferred tax liabilities	Net basis
Placement with, and loans to banks	-	50	50	-	45	45
Loans and advances to customers	-	147,674	147,674	-	168,644	168,644
Foreclosed collateral	-	23,141	23,141	-	29,022	29,022
Provisions - Off-balance sheet items	-	5,892	5,892	-	5,654	5,654
Total recognized deferred tax assets / liabilities	-	**176,757**	**176,757**	-	**203,365**	**203,365**

Movement in temporary differences during the year are as follows:

In thousands of Denars

	2018			2017		
	1 January	Recognised in income	31 December	1 January	Recognised in income	31 December
Placement with, and loans to banks	45	5	50	173	(128)	45
Loans and advances to customers	168,644	(20,970)	147,674	136,313	32,331	168,644
Foreclosed collateral	29,022	(5,881)	23,141	22,935	6,087	29,022
Provisions - Off-balance sheet items	5,654	238	5,892	10,207	(4,553)	5,654
	203,365	**(26,608)**	**176,757**	**169,628**	**33,737**	**203,365**

The temporary differences relate to different carrying amount of the above presented items in accordance with statutory requirements.

16. CASH AND BALANCES WITH THE CENTRAL BANK

	In thousands of Denars December 31, 2018	December 31, 2017
Cash on hand	1,434,007	1,143,282
Accounts and deposits with NBRNM, except mandatory reserves in foreign currency	4,935,642	4,724,032
Accounts and deposits with foreign banks	1,660,580	1,638,896
Accounts and deposits with domestic banks	585	90
Treasury bills which can be traded on the secondary market	4,957,841	5,128,841
Time deposits up to three months	3,012,266	2,398,378
Other short-term highly liquid assets	322	308
Less: Allowance for impairment	(1,210)	-
Included in Statement of Cash Flows	16,000,033	15,033,827
Mandatory reserves in foreign currency	2,962,726	2,770,408
Restricted deposits	334,068	97,526
	19,296,827	17,901,761

Accounts and deposits with NBRNM, except mandatory reserves in foreign currency in the amount of Denar 4,935,642 thousand (2017: Denar 4,724,032 thousand) represent mandatory reserves in Denars. These reserves are non-interest bearing.

Treasury bills which can be traded on the secondary market in the amount of Denar 4,957,841 thousand (2017: Denar 5,128,841 thousand) represent bills issued by the Central Bank with a maturity of 28 - 35 days. Interest rate in 2018 from 3.25% to 2.50% p.a. (2017: 3.25% p.a.). Treasury Bills are classified as FVOCI as at 31 December 2018.

Mandatory reserves in foreign currency represent non-interest bearing (2017: non-interest bearing) mandatory deposit with NBRNM amounting to Denar 2,962,726 thousand (2017: Denar 2,770,408 thousand) calculated as an average amount of deposits in foreign currencies during the last calendar month.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

	In thousands of Denars December 31, 2018	December 31, 2017
Equity securities issued by banks	5,616	3,676
	5,616	3,676

The Bank trades with the trading securities in order to generate profit from the short-term fluctuations in their stock price. The Bank is not able to exert significant influence over the banks in which it holds equity securities due to the insignificant percentage it has in the ordinary share capital in these entities.

18. SECURITIES MEASURED AT FVTOCI

	In thousands of Denars December 31, 2018
Equity securities issued by other entities	80,059
	80,059

The movement of Equity securities is as follows:

Equity securities issued by other entities:

	In thousands of Denars December 31, 2018
Balance at the beginning of the year	77,435
Gains / (losses) from changes in fair value	2,624
Balance at the end of the year	80,059

AVAILABLE FOR SALE FINANCIAL ASSETS	In thousands of Denars December 31, 2017
Debt securities issued by the Government	6,153,085
Equity securities issued by banks	3,476
Equity securities issued by other entities	375,096
	6,531,657
Less: Allowance for impairment	(301,136)
	6,230,521

The movement in the ECL allowance/allowance for impairment is as follows:

	In thousands of Denars December 31, 2018	December 31, 2017
Balance at the beginning of the year	301,136	304,090
Addition for the year (Note 11)	-	-
Foreign exchange effects	-	(2,954)
Other - reclassified to FVOCI	(301,136)	-
	-	301,136

19. SECURITIES MEASURED AT AMORTIZED COST

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Debt securities		
Government bills	3,548,553	-
Government continued coupon bond	2,254,139	-
	5,802,692	-
Less: ECL	(12,808)	-
	5,789,884	-

	In thousands of Denars December 31, 2018
Balance at the beginning of the year	-
Impact of IFRS 9	6,141,214
Balance at the beginning of the year, adjusted for IFRS 9 impact	6,141,214
Additions within the period	5,734,197
Disposals (sales and redemptions) within the period	(6,094,970)
Amortization of premiums / discounts	10,369
Foreign exchange differences	10
Impairment charge	(936)
Balance at the end of the year	5,789,884

The movement in the ECL allowance/allowance for impairment is as follows:

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Balance at the beginning of the year	-	-
Adoption of IFRS 9	11,872	-
Balance at the beginning of the year, adjusted for IFRS 9 impact	11,872	
Addition for the year (Note 11)	936	-
Balance at the end of the year	12,808	-

Debt securities issued by the Government in the amount of Denar 5,789,884 thousand, net, include the amount of Denar 3,545,241 thousand, net (2017: Denar 5,148,157 thousand) relating to eligible bills issued by the Ministry of Finance of the RNM which can be traded on the secondary market with a maturity from six months up to one year and fixed interest rate from 0.30% p.a. to 1.20% % p.a. (2017: from 1.45% p.a. to 2.10% % p.a.). As well as amount of Denar 2,244,643 thousand, net, (2017: Denar 1,004,928 thousand) which relate to continued coupon government bonds issued by the state of RNM with maturity from September 2014 till December 2020 and fixed interest rate from 0.90% p.a. to 3.90% p.a.(2017: from 2.20% p.a. to 2.80% p.a.) being repayable in annual coupons.

20. PLACEMENTS WITH, AND LOANS TO BANKS

In thousands of Denars

	Year ended December 31, 2018 Short-term	Year ended December 31, 2018 Long-term	Year ended December 31, 2017 Short-term	Year ended December 31, 2017 Long-term
Loans to foreign banks	18,138	-	25,089	-
Other placements due from foreign banks	-	186,691	-	149,790
Interest receivable	1,770	-	1,025	-
	19,908	186,691	26,114	149,790
Less: ECL allowance	(9,510)	-	(16,365)	-
	10,398	186,691	9,749	149,790
	197,089		159,539	

The movement in the ECL allowance/allowance for impairment is as follows:

In thousands of Denars

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	16,365	23,934
Charge for the year (Note 11)	1,040	102
Release (Note 11)	(7,895)	(7,671)
Balance at the end of the year	9,510	16,365

Part of the loans to foreign banks amounting to Denar 18,138 thousand (2017: Denar 19,071 thousand) are restricted and represent accounts held with banks in the Republic of Serbia, which went into bankruptcy in January 2002 (Note 26).

Other placement due from foreign banks relate to restricted accounts of Denar 186,691 thousand (2017: Denar 149,790 thousand) which represent deposits held with United Overseas Bank Limited Singapore and HSBC Bank PLC, London, Great Britain as a collateral for the transactions performed with VISA and MASTER payment cards. These funds are not available for the Bank's daily operations.

21. LOANS TO CUSTOMERS

a) Analysis of loans by type of customer

In thousands of Denars

	Year ended December 31, 2018		Year ended December 31, 2017	
	Short-term	Long-term	Short-term	Long-term
Non-financial entities				
principal amount	12,223,277	11,479,855	12,665,489	11,224,066
interest receivable	57,199	-	62,194	-
State				
principal amount	1,091	534	1,094	112
interest receivable	4	-	1	-
Not-for-profit organizations				
principal amount	-	7,921	3	609
interest receivable	25	-	3	0
Households				
principal amount:				
- housing loans	279,826	10,096,692	316,815	9,229,547
- consumer loans	2,468,765	31,450,828	1,880,123	22,867,022
- auto loans	53,271	43,997	55,318	53,141
- credit cards	264,554	1,729,963	483,668	6,566,448
- other loans	185,259	-	183,220	1,724,288
interest receivable	-	-	128,105	-
Non-residents, except banks				
principal amount	572	1,276	972	96
interest receivable	5	-	1	-
Current maturity	10,796,996	(10,796,996)	10,690,032	(10,690,032)
	26,330,844	44,014,070	26,467,038	40,975,297
Total gross loans	70,344,914		67,442,335	
Provision for impairment	(5,199,029)		(5,101,360)	
	65,145,885		62,340,975	

The ECL allowance/allowance for impairment presented represents total provision and relate to both, short-term and long-term loans to customers.

The movement in the ECL allowance/allowance for impairment is as follows:

In thousands of Denars

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	5,101,360	5,151,669
Adoption of IFRS 9	85,764	-
Balance at the beginning of the year, adjusted for IFRS 9 impact	5,187,124	5,151,669
Charge for the year (Note 11)	1,330,351	700,636
Release (Note 11)	(1,330,714)	(677,971)
Recoveries	386,880	297,911
Write off	(374,612)	(370,885)
Balance at the end of the year	5,199,029	5,101,360

21. LOANS TO CUSTOMERS (Continued)

b) Analysis of loans by sectors

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Agriculture and forestry	597,241	527,895
Mining and quarrying	173,806	354,837
Manufacturing	7,264,620	7,576,566
Electricity, gas, steam and air conditioning supply	1,959,386	2,321,254
Water supply; sewerage, waste management and remediation activities	9,058	23,306
Construction	1,486,062	1,505,971
Wholesale and retail trade; repair of motor vehicles and motorcycles	5,599,190	5,372,494
Transportation and storage	854,570	955,485
Accommodation and food service activities	785,518	478,620
Information and communication	160,530	165,950
Financial and insurance activities	98,434	30,884
Real estate activities	581,159	764,031
Professional, scientific and technical activities	377,016	312,821
Administrative and support service activities	615,788	320,224
Public administration and defence; compulsory social security	2,862	-
Education	-	8,889
Human health and social work activities	65,435	56,700
Arts, entertainment and recreation	39,740	52,631
Other service activities	28,557	36,475
Individuals	44,446,913	41,475,942
	65,145,885	62,340,975

c) Analysis of loans by type of security

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Cash and cash equivalents or restricted accounts held in Bank	1,814,483	1,364,319
Government guarantees	922,425	1,090,063
Bank guarantees	843,721	502,227
Corporate guarantees	481,622	335,029
Property	27,819,142	26,674,387
Equipment and other movable assets	1,197,558	1,709,465
Other securities	3,584,072	3,899,142
Non-secured	28,482,861	26,766,343
	65,145,885	62,340,975

d) Risks and uncertainties

Management of the Bank has recorded provisions for impairment losses for all known and estimated risks as of the date of the financial statements. The Bank's portfolio contains a number of debtors whose ability to service and repay their debts has been impacted by economic developments in the Republic of North Macedonia. The portfolio also contains a number of debtors that are involved in restructuring processes that are expected to lead to either partial or complete recoveries of the Bank's receivables. The receivables from such debtors were classified on the latest available information and the expected course of the restructuring process.

21. LOANS TO CUSTOMERS (Continued)

d) Risks and uncertainties (Continued)

The Bank continues to be collateralized primarily by real estate, industrial land, buildings and equipment for corporate loans and in the case of retail loans depending on the type of loan product. Depending on the classification of loans, management is maximizing efforts to realize collateral on a timely basis. In the event that this proves to be unsuccessful, additional provisions will need to be made in the future to provide for any possible shortfall.

The Bank's operation could be influenced by the financial trends in case of worsening of the overall global and local economic environment. Over the past years, when domestic and international economies faced financial and political crises, including the years 2018 and 2017, when the domestic political crisis was more pronounced, the Bank did not faced any liquidity problems as a result of its stability, capital strength, high liquidity and established mechanisms of managing the relevant risks.

The potential impact of the financial crises could be expected in restraining domestic savings. The management of the Bank is reacting appropriately to any new developments to the market and economy as a whole. Some of the measures undertook are: limiting long-term financing as compared to the short-term financing, developing of the loan products with higher interest margins, strengthening monitoring of the large customers and industry sectors to which the Bank is mostly exposed for, making appropriate balance of the interest rates for loan receivables and payments for deposits, reassessment of the relationships with the corresponding banks and other participants on the local financial markets, where possible increase of collateral limits. All of the above is focusing to protect and develop current and future customer/depositor base and achievements of the Bank's goals and objectives for 2019 and beyond.

Currently, the impact of the financial crisis has limited impact on the Bank's operations; however, future unfavorable developments in certain industry sectors may have impact on the customer's ability for loan's repayment, which may consequently have impact on the level of provision for loan losses. Any additional provision based on the above, if any, cannot be determined at this stage with any reasonably accuracy.

22. OTHER ASSETS

a) Non-current assets held for sale

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Foreclosed collateral		
Land	18,027	18,755
Buildings	630,321	858,493
Other	29,107	35,790
	677,455	913,038
Less: Allowance for impairment	(394,562)	(457,497)
	282,893	455,541

The movement in the allowance for impairment in non-current assets held for sale is as follows:

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Balance at the beginning of the year	457,497	424,976
Charge for the year (Note 11)	18,282	34,143
Disposals	(81,217)	(1,622)
Balance at the end of the year	394,562	457,497

b) Other receivables and prepaid expenses

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Trade receivables from contracts with customers	268,842	73,206
Prepaid expenses	2,217	29,826
Receivables for commission and fees	4,262	10,072
Advances to suppliers	2,435	2,098
Short term settlements of operations with credit cards	30,904	-
Receivables upon payments on credit cards	137,209	51,838
Stock of material, plastic cards, coins and numismatic collection	28,746	41,707
Treasury shortage	3,668	7,604
Other receivables	30,502	19,981
	508,785	236,332
Less: Allowance for impairment	(59,272)	(55,189)
	449,513	181,143

22. OTHER ASSETS (Continued)

b) Other receivables and prepaid expenses

The movement in the ECL allowance/allowance for impairment in other receivables and prepaid expenses is as follows:

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Balance at the beginning of the year	55,189	45,348
Charge for the year (Note 11)	28,251	13,900
Release (Note 11)	(25,013)	(3,046)
Write off	845	(1,013)
Balance at the end of the year	59,272	55,189

23. INVESTMENT PROPERTY

	In thousands of Denars
Cost	
Balance at January 1, 2017	184,310
Transfer from assets acquired through foreclosure procedure	186
Disposals	(18,207)
Balance at December 31, 2017	166,289
Balance at January 1, 2018	166,289
Additions	116
Transfer to Property and equipment	(24,487)
Disposals	(27,504)
Balance at December 31, 2018	114,414
Accumulated depreciation	
Balance at January 1, 2017	13,138
Charge for the year	2,436
Disposals	(12,925)
Balance at December 31, 2017	2,649
Balance at January 1, 2018	2,649
Transfer to Property and equipment	(10,283)
Charge for the year	1,972
Disposals	(13,677)
Balance at December 31, 2018	(19,339)
Impairment	
Balance at January 1, 2017	100,571
Charge for the year (Note 11)	796
Balance at December 31, 2017	101,367
Balance at January 1, 2018	101,367
Charge for the year (Note 11)	3,997
Balance at December 31, 2018	105,364
Carrying amount	
Balance at December 31, 2017	62,273
Balance at December 31, 2018	28,389

As of December 31, 2018, the fair value of the investment property corresponds to the carrying amount presented in these financial statements.

24. INTANGIBLE ASSETS

In thousands of Denars

	Software	Leasehold improvements	Other intangibles	Total
Cost				
Balance at January 1, 2017	711,325	166,239	1,819	879,383
Additions	26,856	10,940	6,939	44,735
Disposals	-	(27,547)	-	(27,547)
Transfer (Note 25)	-	1,103	-	1,103
Balance at December 31, 2017	738,181	150,735	8,758	897,674
Balance at January 1, 2018	738,181	150,735	8,758	897,674
Additions	31,821	21,188	-	53,009
Disposals	-	(4,990)	-	(4,990)
Balance at December 31, 2018	770,002	166,933	8,758	945,693
Accumulated amortization				
Balance at January 1, 2017	607,514	130,936	-	738,450
Charge for the year	34,761	10,457	-	45,218
Disposal	-	(27,515)	-	(27,515)
Balance at December 31, 2017	642,275	113,878	-	756,153
Balance at January 1, 2018	642,275	113,878	-	756,153
Charge for the year	35,400	13,259	-	48,659
Disposal	-	(4,283)	-	(4,283)
Balance at December 31, 2018	677,675	122,854	-	800,529
Carrying amount				
Balance at December 31, 2017	95,906	36,857	8,758	141,521
Balance at December 31, 2018	92,327	44,079	8,758	145,164

25. PROPERTY AND EQUIPMENT

In thousands of Denars

	Buildings	Furniture and equipment	Construction in progress	Total
Cost				
Balance at January 1, 2017	1,218,005	1,349,476	10,543	2,578,024
Additions	30,590	20,774	1,006	52,370
Transfer (Note 24)	8,482	-	(9,585)	(1,103)
Disposals	(10,507)	(377,929)	-	(388,436)
Balance at December 31, 2017	1,246,570	992,321	1,964	2,240,855
Balance at January 1, 2018	1,246,570	992,321	1,964	2,240,855
Additions	40,662	26,251	4,110	71,023
Transfer (Note 23)	24,487	-	-	24,487
Disposals	(18,039)	(4,514)	-	(22,553)
Balance at December 31, 2018	1,293,680	1,014,058	6,074	2,313,812
Accumulated depreciation				
Balance at January 1, 2017	532,359	1,157,527	-	1,689,886
Charge for the year	30,341	59,892	-	90,233
Disposals	(6,689)	(377,011)	-	(383,700)
Balance at December 31, 2017	556,011	840,408	-	1,396,419
Balance at January 1, 2018	556,011	840,408	-	1,396,419
Transfer (Note 23)	10,283	-	-	10,283
Charge for the year	31,162	56,820	-	87,982
Disposals	(9,230)	(4,494)	-	(13,724)
Balance at December 31, 2018	588,226	892,734	-	1,480,960
Impairment				
Balance at January 1, 2018	-	-	-	-
Charge for the year (Note 11)	3,929	-		3,929
Balance at December 31, 2018	3,929	-	-	3,929
Carrying amount				
Balance at December 31, 2017	690,559	151,913	1,964	844,436
Balance at December 31, 2018	701,525	121,324	6,074	828,923

The Bank's buildings as of December 31, 2018 include property with a net carrying amount of Denar 3,452 thousand (2017: Denar 4,334 thousand), for which the Bank does not possess appropriate ownership title deeds due to incomplete cadastral records.

As of December 31, 2018 and 2017 the Bank's property and equipment are free of any pledges and mortgages.

26. DEPOSITS FROM BANKS

In thousands of Denars

	December 31, 2018		December 31, 2017	
	Up to one year	Over one Year	Up to one year	Over one year
Current accounts				
domestic banks	21,820	-	55,728	-
foreign banks	11,876	-	7,671	-
	33,696	-	63,399	-
Time deposits				
foreign banks	107,379	-	-	-
	107,379	-	-	-
Restricted deposits				
foreign banks	18,328	-	19,071	-
	18,328	-	19,071	-
Interest payable on deposits				
foreign banks	101	-	-	-
	101	-	-	-
Total deposits from banks	159,504		82,470	

The restricted deposits held with foreign banks amounting to Denar 18,328 thousand (2017: Denar 19,071 thousand) represent deposits from banks in the Republic of Serbia which went into bankruptcy in January 2002 (Note 20).

27. DEPOSITS FROM CUSTOMERS

In thousands of Denars

	December 31, 2018		December 31, 2017	
	Up to one year	Over one year	Up to one year	Over one year
Non-financial entities				
Current accounts	9,946,944	-	9,182,182	-
Sight deposits	215,535	-	172,080	-
Time deposits	1,425,692	1,073,983	1,150,322	1,119,776
Restricted deposits	296,481	603,598	242,539	521,418
Other deposits	12,347	-	6,045	-
Interest payable on deposits	27,047	-	19,973	-
	11,924,046	1,677,581	10,773,141	1,641,194
State				
Current accounts	71,089	-	55,747	-
Time deposits	-	-	5,000	-
Restricted deposits	158	650	72	-
Interest payable on deposits	3	-	-	-
	71,250	650	60,819	-
Not-for-profit organizations				
Current accounts	504,053	-	494,339	-
Sight deposits	-	-	-	-
Time deposits	155,497	21,480	158,631	19,580
Restricted deposits	7,003	-	3,283	410
Interest payable on deposits	674	-	970	-
	667,227	21,480	657,223	19,990
Financial institutions, except banks				
Current accounts	59,677	-	54,482	-
Sight deposits	-	-	-	-
Time deposits	71,050	1,659,490	176,500	1,842,408
Restricted deposits	179	31,405	154	357
Interest payable on deposits	27,308	-	27,670	-
	158,214	1,690,895	258,806	1,842,765
Households				
Current accounts	21,718,430	-	17,558,498	-
Sight deposits	14,329	-	39,820	-
Time deposits	17,570,504	16,903,275	18,950,093	15,689,275
Restricted deposits	1,466,708	1,119,531	1,339,261	1,031,274
Interest payable on deposits	73,778	-	88,322	-
	40,843,749	18,022,806	37,975,994	16,720,549
Non-residents, except banks				
Current accounts	567,368	-	528,852	-
Sight deposits	1,308	-	1,298	-
Time deposits	148,689	171,566	163,699	207,841
Restricted deposits	35,116	19	27,680	19
Interest payable on deposits	410	-	568	-
	752,891	171,585	722,097	207,860
Current maturity	11,283,154	(11,283,154)	10,079,113	(10,079,113)
	65,700,531	10,301,843	60,527,193	10,353,245
Total deposits from customers	76,002,374		70,880,438	

28. LOANS PAYABLE

In thousands of Denars

	December 31, 2018		December 31, 2017	
	Up to one year	Over one year	Up to one year	Over one year
Domestic sources:				
Agency for assets management				
- long-term loan in amount of Denar 149,398 thousand (2017: Denar 149,398 thousand) is payable in January 2020 on a once off basis. Related fees for these loans are 1.5% p.a. annually.	1,192	149,398	203	149,398
Agency for undeveloped regions				
- Repaid in 2017, interest rate of 3.9% p.a. annually (2016: 3.9% p.a.).	-	-	5,690	-
MBPR				
- Matures in 2023 and interest rate is equal to 1.0% p.a. annually (2017: 1% p.a.)	311	145,554	542	253,577
	1,503	294,952	6,435	402,975
Current maturity of long-term loans	81,708	(81,708)	106,679	(106,679)
	83,211	213,244	113,114	296,296
Total loans payable	296,455		409,410	

a) FINANCIAL LIABILITIES RECONCILIATION

The table below sets out an analysis of our debt and the movements in our debt for each of the periods presented. The debt items are those that are reported as financing in the statement of cash flows:

In thousands of Denars

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	409,410	557,727
Cash flows	(113,732)	(148,317)
Foreign exchange adjustments	19	-
Other non-cash movements	758	-
Balance at the end of the year	296,455	409,410

29. OTHER LIABILITIES

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Unallocated cash receipts due to depositors and others	463,227	733,672
Accrued expenses	93,535	158,595
Deferred revenue	116,195	99,848
Preference shares	90,978	90,978
Premature repayment of loans and other liabilities	75,009	68,358
Overpaid fees of credit cards	25,629	24,063
Obligations to merchants for outstanding payments on credit cards	22,673	23,219
Trade payables from contracts with customers	38,893	8,786
Dividends payable for preferred shares	2,067	3,284
Claimed transactions with VISA cards	1,839	2,099
Fee and commissions liabilities	77	132
Custodian accounts (Note 34b)	-	(3)
	930,122	1,213,031

The Bank has issued 227,444 non-redeemable cumulative preference shares with a nominal value of Denar 400.

The preference shares give preferential rights for dividends and do not have voting rights and participation in equity in the event of a liquidation of the Bank.

As of December 31, 2018, the Bank allocated an amount of Denar 2,047 thousand as a dividend to the holders of these shares for the year 2018 (2017: Denar 2,274 thousand).

30. PROVISIONS

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2017	29,793	9,560	32,056	71,409
Additions	4,919	9,369	3,429	17,717
Used	-	(225)	-	(225)
Release	(9,457)	-	(3,938)	(13,395)
Balance at December 31, 2017	25,255	18,704	31,547	75,506

In thousands of Denars

	Off-balance sheet items	Litigation	Employees benefits	Total
Balance at January 1, 2018	25,255	18,704	31,547	75,506
Adoption of IFRS9	29,353	-	-	29,353
Balance at January 1, 2018 restated	54,608	18,704	31,547	104,859
Additions	1,103	466	3,301	4,870
Used	-	(1,289)	(266)	(1,555)
Release	(35,132)	(3,054)	(538)	(38,724)
Balance at December 31, 2018	20,579	14,827	34,044	69,450

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows.

The principal actuarial assumptions used were as follows:

	2018	2017
Interest rate	3.20%	3.90%
Average salary increase	4.00%	4.00%
Inflation rate	2.00%	2.00%

Mortality rate:

From the study of the mortality rates in the last years, we have determined a representation of the expected current mortality in the Republic of North Macedonia. We have used the Swiss mortality table, which is a reasonable approximation of the long-term mortality rate in the country.

31. EQUITY

a) Share capital

The share capital of the Bank as of December 31, 2018 and 2017 consists of 17,460,180 fully paid up ordinary shares with a nominal value of Denar 201.1. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Bank's General Assembly meetings, as well as the right to participate equally in the event of the liquidation of the Bank.

The structure of shareholders exceeding 5% of the issued voting capital as of December 31, 2018 and 2017 officially announced and accepted by the Central Securities Depository of the RNM is as follows:

	December 31, 2018		December 31, 2017	
	% of participation	In thousands of Denars	% of participation	In thousands of Denars
National Bank of Greece	94.64%	3,323,094	94.64%	3,323,094
Others	5.36%	188,148	5.36%	188,148
	100%	3,511,242	100%	3,511,242

b) Revaluation reserves

Revaluation reserves include unrealized gains and losses arising from changes in the fair value of available-for-sale investments.

Components of other comprehensive income

	In thousands of Denars	
	December 31, 2018	December 31, 2017
Reserves-Other comprehensive income-Items that will be reclassified to P&L		
Revaluation reserve - FVTOCI Debt securities	8,475	-
Reserves-Other comprehensive income-Items that will not be reclassified to P&L		
Gains less losses on investments in equity securities at fair value through other comprehensive income	2,624	512
Service & interest income/(cost) related to defined benefits obligation	(3,325)	2,378
Other comprehensive income	7,774	2,890
Less: Income tax relating to components of other comprehensive Income	-	-
Other comprehensive income for the year, net of tax	7,774	2,889

c) Statutory reserve

In accordance with the local regulations, the Bank is required to set aside 5 percent of its net profit for the previous year in a statutory reserve until the level of the reserve reaches 1/10 of the court-registered share capital. Until the minimum required level is reached, the statutory reserve could be used only for loss recovery. When the statutory reserve exceeds the minimum level, after recovery of all losses, it can be used for distribution of dividends, based on a decision of the Shareholder's Assembly, but only if, for the current year, it has not reached the minimum for distribution as prescribed by the Law on Trade Companies or by the Bank's Statute.

d) Special fund

Special fund represent a fund set up based on the internal Bank's policy for various purposes broadly classified as restrictive.

32. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit for the year attributable to shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data in the earnings per share computations:

	December 31, 2018	December 31, 2017
Net profit attributable to shareholders for basic and diluted earnings per share (in thousands of Denars)	2,498,771	2,476,678
Weighted average number of shares for basic and diluted earnings per share	17,460,180	17,460,180
Basic earnings per share (in Denars)	143.1	141.8
Diluted earnings per share (in Denars)	143.1	141.8

33. RELATED PARTY TRANSACTIONS

Related parties include major shareholders, affiliates and jointly controlled entities, control/management with the Bank, or whose activities the Bank has an ability to control. All transactions with related parties arise in the normal course of business and their value is not materially different from the terms and conditions that would prevail in arms-length transactions.

The significant related party balances and transactions are presented as follows:

Statement of financial position

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2018				
Assets				
Current accounts	1,106	-	-	1,106
Loans	-	1,485	2,750	4,235
Other assets	-	208	37	245
	1,106	1,693	2,787	5,586
Liabilities				
Deposits	3	53,863	107,779	161,645
Other liabilities	43,089	446	-	43,535
	43,092	54,309	107,779	205,180
December 31, 2017				
Assets				
Current accounts	988	-	-	988
Loans	-	4,868	-	4,868
	988	4,868	-	5,856
Liabilities				
Deposits	6	43,592	-	43,598
Other liabilities	37,724	-	5	37,729
	37,730	43,592	5	81,327

33. RELATED PARTY TRANSACTIONS (Continued)

Statement of comprehensive income

In thousands of Denars

	Parent company	Key management personnel	Other related parties	Total
December 31, 2018				
Income				
Interest income	-	79	160	239
Fee and commission income	-	44	1	45
Other income	-	24	-	24
	-	147	161	308
Expenses				
Interest expense	7	766	864	1,637
Other expenses	99,391	32,722	-	132,113
	99,398	33,488	864	133,750
December 31, 2017				
Income				
Interest income	3	331	-	334
Fee and commission income	-	36	18	54
Other income	-	21	-	21
	3	388	18	409
Expenses				
Interest expense	36	802	198	1,036
Fee and commission expense	-	-	22	22
Other expenses	60,117	28,316	-	88,433
	60,153	29,118	220	89,491

National Bank of Greece, Athens represents the parent and the ultimate parent company of the Bank. Other related party transactions relate to NBG Cairo branch, Vojvodjanska Banka a.d. Novi Sad (until 30 June 2018) and that are fellow subsidiaries of the NBG Group.

The total compensation and other transactions with key management personnel as follows:

In thousands of Denars

	December 31, 2018	December 31, 2017
Short-term compensation and benefits	32,710	28,309
	32,710	28,309

The Bank entered into banking transactions with key management personnel in the normal course of business.

34. COMMITMENTS AND CONTINGENCIES

a) Off-balance sheet items

	In thousands of Denars December 31, 2018	December 31, 2017
Payment guarantees:		
in Denars	801,423	697,671
in foreign currency	233,097	262,845
in Denars with foreign currency clause	23,762	227,880
Performance guarantees:		
in Denars	390,029	420,973
in foreign currency	73,131	54,375
in Denars with foreign currency clause	602,689	628,269
Letters of credit in foreign currency	79,137	24,066
Cash covered letter of credit	5,852	5,774
Cash covered letter of guarantees	272,518	234,394
Unused current account overdrafts	6,015,596	5,848,169
Credit cards commitments	5,771,824	5,996,410
Other	1,482	2,577
	14,270,540	14,403,403
Less: provision for off-balance sheet items (Note 30)	(20,579)	(25,255)
	14,249,961	14,378,148

b) Managed funds

The Bank administrates assets on a fee basis on behalf of customers. Such managed funds are not Bank's assets and are not recognized in the statement of financial position.

In thousands of Denars

	December 31, 2018			December 31, 2017		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Loans in Denars	275,537	275,378	159	274,635	274,528	107
Loans in foreign currency	300,655	300,655	-	291,011	291,011	-
Other receivables in Denars	1,021,719	1,021,727	(8)	1,066,293	1,066,301	(8)
Other receivables in foreign currency	460,269	460,420	(151)	581,599	581,698	(99)
Custodian accounts (Note 30)	40,158	40,158	-	35,512	35,515	(3)
	2,098,338	2,098,338	-	2,249,050	2,249,053	(3)

The Bank is not exposed to any credit risk in respect of the above placements, as it does not guarantee placements.

c) Litigations

The Bank is involved in legal proceedings from its daily operations. As of December 31, 2018 the provision for legal proceedings filed against the Bank amounted to Denar 14,827 thousand (2017: Denar 18,704 thousand). The Bank's management believes that the final outcome of the filed legal proceedings will be favorable, and that no material losses will result from the settlement of the aforementioned litigations. During 2018, the Bank has allocated additional provisions for impairment losses upon litigation in the amount of Denar 466 thousand (2017: Denar 9,369 thousand).

34. COMMITMENTS AND CONTINGENCIES (Continued)

d) Lease commitments

The Bank as lessor

Operating leases relate to the investment property owned by the Bank, which comprises a number of commercial real estate leased to third parties. All operating lease contracts contain market review clause in the event that the lessee exercise its option to renew. The expiration of the lease period range up to one year. Rental income earned by the Bank from its investment property, all of which is leased out under operating leases, amounting to Denar 2,427 thousand (2017: Denar 1,291 thousand).

The Bank as lessee

The payment for operating lease was recognized within other operating expenses and relate to business premises. Lease contracts are up to one year and have a clause stipulating a 30-days'notice period. Rental expense paid by the Bank amounting to Denar 52,693 thousand (2017: Denar 54,661 thousand).

The minimum future lease payments approximate the current rent expense level.

35. TAXATION RISK

The tax authorities may at any time inspect the books and records within 5 years subsequent to the reported tax year, and may impose additional tax assessments and penalties. The Bank's management is not aware of any additional circumstances, which may give rise to a potential material liability in this respect.

36. COMPARATIVES

In order to have more reliable, relevant presentation certain amounts in prior year have been reclassified to conform to the current year presentation:

Statement of comprehensive income

			In thousands of Denars December 31, 2017
	Current	As previously reported	Reclassification
Fee and commission expense	(280,661)	(105,938)	(174,723)
Other operating expenses	(846,839)	(1,021,562)	174,723
			-

37. TRANSITION TO IFRS 9 AS OF 1 JANUARY 2018

On 1 January 2018, the Bank adopted IFRS 9 Financial Instruments, which replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement (IAS 39).

The accounting policies applied by the Bank in order to comply with the requirements of IFRS 9 are presented in Note.3.5

a) Impact upon transition to IFRS 9

The adoption of IFRS 9 on 1 January 2018, decreased the Bank's shareholders' equity by Denar 132,720 thousand, of which Denar 128,240 thousand, due to changes in impairment requirements and Denar 4,480 thousand due to classification and measurement.

37. TRANSITION TO IFRS 9 AS OF 1 JANUARY 2018 (Continued)

a) Impact upon transition to IFRS 9 (Continued)

The tables on the following pages provide a detailed overview of the IFRS 9 transition impact as of 1 January 2018 on the Bank's financial assets, financial liabilities and shareholders' equity. This includes:

- Reclassification of IAS 39 carrying amounts to the new categories applicable under IFRS 9
- Remeasurement of carrying amount due to reclassification (measurement to fair value for assets moving from amortised cost to fair value).
- Recognition of IFRS 9 ECL for financial instruments scoped into the impairment requirements of IFRS 9.

Reclassification and remeasurement of carrying amounts and recognition of ECL upon transition to IFRS 9

(In thousands of Denars)

Financial Instruments	Measurement category under IAS 39	Measurement category under IFRS 9	Carrying amount 31.12.17 (IAS 39)	Reclassification 39 carrying amou	Measurement adjustment (IFRS 9)	ECL allowance adjustment (IFRS 9)	Carrying amount 1.1.18 (IFRS 9)
Financial assets							
Cash and balances with the central bank	*Cash and cash equivalents at amortized cost*	*Cash and cash equivalents at amortized cost*	12,772,920	-	-	(81)	12,772,839
	Debt securities (treasury bills) available for sale	*Debt securities (treasury bills) at amortized cost (hold to collect)*	5,128,841	-	(4,480)	(1,170)	5,123,191
Financial assets at FVTPL	*FVTPL*	*FVTPL*	3,676	-	-	-	3,676
Securities measured at FVTOCI	*Available for Sale*	*Designated at FVTOCI (equity instruments)*	77,435	-	-	-	77,435
		(debt instruments)	6,153,086	(6,153,086)	-	-	-
Securities measured at amortized cost	*Held to Maturity*	Amortized cost (debt instruments)	-	6,153,086	-	(11,872)	6,141,214
Placement with, and loans to banks	*Loans and receivables*	*Amortized cost*	159,539	-	-	-	159,539
Loans to customers	*Loans and receivables*	*Amortized cost*	62,340,975	-	-	(85,764)	62,255,211
Other assets	*Amortized cost*	*Amortized cost*	636,684	-	-	-	636,684
Total financial assets			*87,273,156*	-	*(4,480)*	*(98,887)*	*87,169,789*
Financial liabilities							
Deposits from banks	*Amortized cost*	*Amortized cost*	82,470	-	-	-	82,470
Deposits from customers	*Amortized cost*	*Amortized cost*	70,880,438	-	-	-	70,880,438
Loans payable	*Amortized cost*	*Amortized cost*	409,410	-	-	-	409,410
Other liabilities	*Amortized cost*	*Amortized cost*	1,213,031	-	-	-	1,213,031
Provisions	*Amortized cost*	*Amortized cost*	75,506	-	-	29,353	104,859
Total financial liabilities			*72,660,855*	-	-	*29,353*	*72,690,208*

37. TRANSITION TO IFRS 9 AS OF 1 JANUARY 2018 (Continued)

Reconciliation of allowances and provisions on adoption of IFRS 9 as of 1 January 2018

	31.12.2017				1.1.2018 (In thousands of Denars)
	Loss Allowances (IAS 39)	Reclassifications	Loss Allowances (IAS 39) after reclassifications	ECL Adjustment (IFRS 9)	Final ECL (IFRS 9)
On Balance Sheet					
Cash and cash equivalents at amortized cost	-	-	-	81	81
Debt securities (treasury bills) at fair value through other comprehensive income (FVTOCI)	-	-	-	1,170	1,170
Securities measured at amortized cost	-	-	-	11,872	11,872
Mortgages	60,949	-	60,949	620	61,569
Consumer loans & Credit Cards	1,901,505	-	1,901,505	(89,987)	1,811,518
Small business lending	118,321	-	118,321	49,932	168,253
Corporate and public sector lending	3,020,585	-	3,020,585	125,199	3,145,784
Allowance for Loan Losses	**5,101,360**	-	**5,101,360**	**85,764**	**5,187,124**
Total On Balance Sheet	***5,101,360***	-	***5,101,360***	***98,887***	***5,200,247***
Off Balance Sheet					
Off Balance Sheet financial assets and commitments	25,255	-	25,255	29,353	54,608
Total Off Balance Sheet	***25,255***	-	***25,255***	**29,353**	**54,608**
Total Allowance	**5,126,615**	-	**5,126,615**	**128,240**	**5,254,855**

37. TRANSITION TO IFRS 9 AS OF 1 JANUARY 2018 (Continued)

Gain/(loss) from transition to IFRS 9 on shareholders' equity as of 1 January 2018

The table below present the transition impact recognised in OCI reserve and retained earnings upon adoption of IFRS 9.

Impact in OCI reserve	**(In thousands of Denars)**
Fair value measurement of debt securities reclassified from 'available for sale' into 'FVTOCI' investment securities portfolio	(4,480)
Total loss recognised directly in OCI reserve upon transition	**(4,480)**
Impact in retained earnings	
ECL allowance for financial assets classified at amortised cost	(97,717)
ECL allowance for off balance sheet commitments	(29,353)
ECL allowance for debt securities classified at FVTOCI	(1,170)
Deferred tax on ECL allowance	-
Total loss recognised in retained earnings upon transition	**(128,240)**

38. EVENTS AFTER THE REPORTING PERIOD

The Income Tax Law changed and entered into force on January 1, 2019, for the fiscal year 2019. Mainly the changes relate to the category unrecognized tax expenditures, a change in tax treatment of depreciation and a change in the transfer pricing. The Bank is currently assessing the impact of the changes in the Income Tax Law.

Other than the above there are no significant events after the reporting period to be reported.

39. EXCHANGE RATES

Official exchange rates used in the translation of the balance sheet items denominated in foreign currencies were as follows:

		In Denars
	2018	2017
1 USD	53.6887	51.2722
1 EUR	61.4950	61.4907